

LATIN AMERICAN REPORT

JUNE 1957

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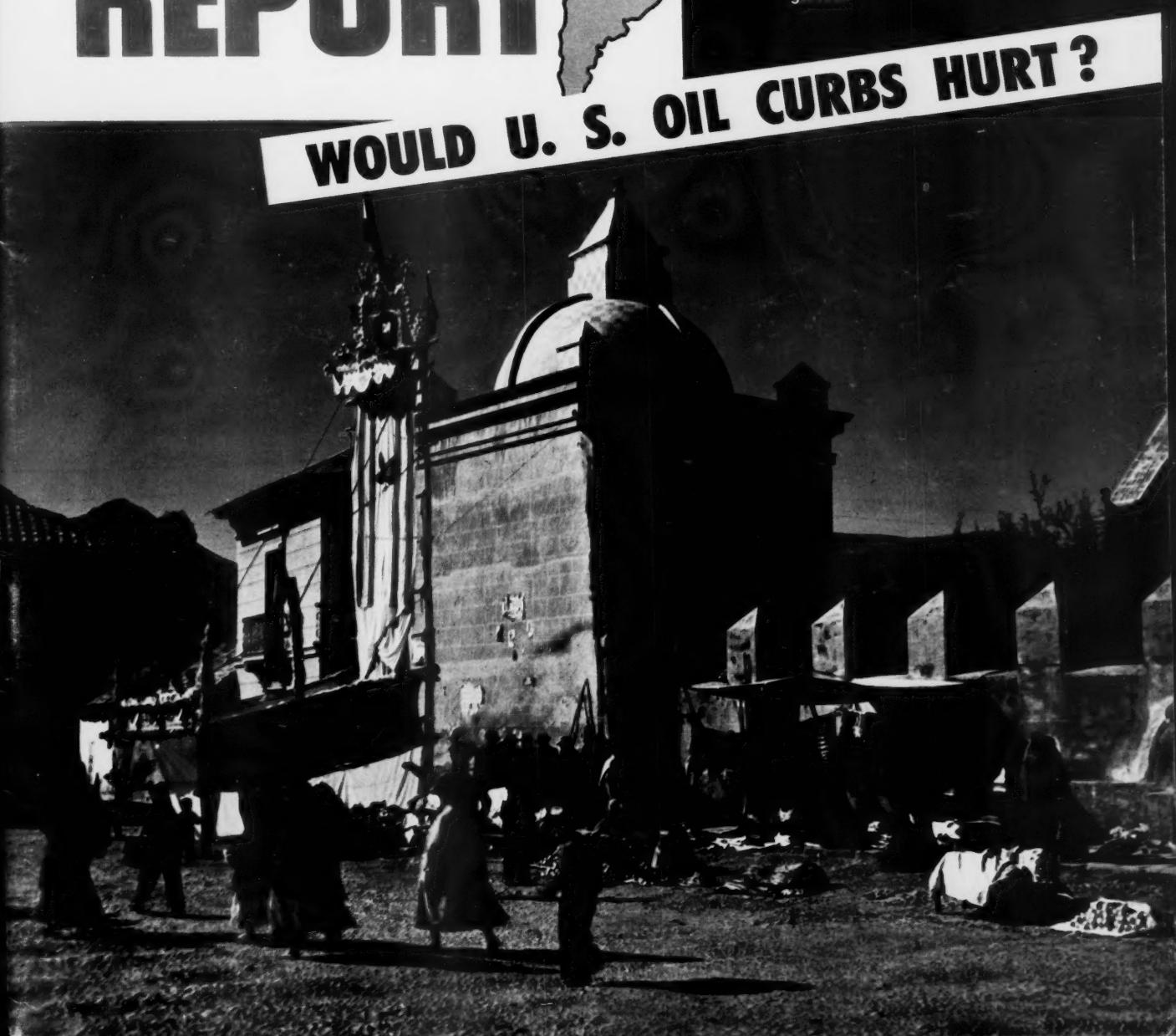
SPECIAL: What it can mean to the oil producers and the oil hopefuls of Latin America if the United States slaps curbs on foreign oil imports.

BOLIVIA: Waging an economic comeback struggle, President Hernan Siles Zuazo discusses his plan for recovery.

PUERTO RICO: Pablo Casals' spirit takes over the podium when heart failure threatens a musical disaster.

MEXICO: Television comes into its own with a 120-minute extravaganza.

WOULD U. S. OIL CURBS HURT?





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WASHINGTON LETTER

June, 1957
Washington, D. C.

MAJOR PROBLEMS SKIRTED AT CPR MEETING

To the relief of nearly everyone involved, the Inter-American Committee of Presidential Representatives has finished its work. The committee, composed of personal representatives of the 21 chiefs of state, met on three occasions in Washington. Prior to the last meeting an interim committee met daily for almost three months to work out recommendations for improving the effectiveness of the inter-American system. Creation of the committee was proposed by President Eisenhower at last year's Panama conference. He named his brother, Dr. Milton Eisenhower, as his own representative. Under Dr. Eisenhower's chairmanship the committee finally agreed behind closed doors on 27 recommendations.

The CPR, as the State Department quickly tagged it, accomplished its limited objectives but proved disappointing to Latin American delegations. Their hopes that the United States agree on such things as double taxation, the financing of economic development and the promotion of trade were once more dashed. About the only concession made by the United States was an agreement to study them further. The committee's final report to the presidents said:

"Some of the topics...have to do with matters of highest importance and involve complex economic and financial problems. Consideration of the latter would require the attention of specialized agencies and a longer period of time than the committee...has for its work. The committee recommends that preferential attention be given to such subjects by the Organization of American States."

For its part the United States was prepared to go farther with its limited objectives for strengthening the Pan American Union and other inter-American agencies. But some of the Latin American delegations objected to too large an increase in their contributions to the OAS. The United States, for example, had proposed a yearly scholarship program amounting to about \$1,750,000. This was scaled down to a little more than \$1,000,000.

In stage-managing the conference (the committee met at the State Department and worked with a State Department secretariat), the United States insisted that all the recommendations be adopted unanimously. The result: they were reduced to the lowest common denominator and not infrequently disclosed more disagreement than agreement.

Washington Letter

Some of the committee's more interesting recommendations:

Tax Barriers To Foreign Investment -- This proved to be one of the most controversial topics. Latin Americans sought United States agreement on the "basic principle" that "income should be taxed only by the state in whose jurisdiction it is produced." United States insisted that it adheres to the principle of taxing income of its citizens and corporations any place it is earned. CPR's final report had to admit that "there was no general consensus regarding the desirability of encouraging adoption of tax policies that would reduce the effects of double taxation and eventually permit its total abolition, because it was not possible to agree on the meaning of the term 'double taxation'."

Financing Economic Development -- To study further at the Buenos Aires Economic Conference in August three proposals for the creation of new lending institutions. Cuba proposed an inter-American development fund whose capital would come from Central banks. Venezuela suggested a fund for economic and social development paid for by a percentage of each nation's budget and offered a little more than \$30 million to get it started. But the United States holds "that the resources of existing institutions are adequate to meet the effective demand and that the creation of new credit institutions could therefore not be justified."

Trade Promotion -- To call a meeting of high level experts early in 1958 to study all aspects of the problem, including reduction or elimination of trade barriers.

Eradication of Malaria -- To support a plan to eradicate malaria in the hemisphere within five years. The committee balked at deciding how to raise the \$20,615,000 needed for the job. Representatives left the problem to the Pan American Sanitary Organization.

Nuclear Energy -- To establish an Inter-American Nuclear Energy Commission to help propel Latin America into the atomic age. It would function in Washington.

* * * * *

LATINS FEAR PROPOSED FUND WILL BYPASS THEM

While the United States, through Dr. Eisenhower, was arguing that new credit institutions cannot be justified, the United States, through Secretary of State John Foster Dulles, was busy justifying one. He told a Senate committee he favored a shift in emphasis in foreign aid from grants to loans and suggested a special fund for the purpose. Deputy Undersecretary for Economic Affairs Douglas Dillon followed up by proposing \$750 million as the right amount for the fund. He said the fund would make long-term, low-interest loans sometimes repayable in local currencies. He mentioned Asia and Africa but not Latin America as primary areas of operation. This has proved deeply disturbing to Latin Americans in Washington, who have been in the vanguard in proposing such a fund.

The Inter-American Economic and Social Council has been unable to find out whether the fund will apply to Latin America and is frankly afraid that it will not. Best bet at the moment is that the Administration still feels Latin America can get all its needs supplied by the World Bank and the Export-Import Bank.

AID AND INDUCEMENTS

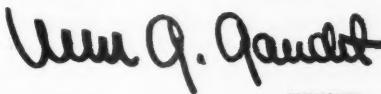
I wonder if you share with me the feeling of what, if properly considered, a magazine can do in the way of provoking thought beyond that which is contained in the various articles.

I noted this particularly in reviewing the story on the significance of oil quotas. When the story idea was first mentioned it was my thought that any type of quotas would be harmful to nations of the other Americas—to the big producer, such as Venezuela, and to the real hopefuls, such as Guatemala, Costa Rica, Panama and Cuba.

It was with some relief that I noticed that although independent oil men were in favor of quotas they also felt that the other Americas should benefit by these quotas. This started me thinking along two lines about how United States action—or lack of action—could affect the economies of Latin American countries: First, through the allocation of U. S. foreign aid, and second, through U. S. tax changes that would help induce private investors to advance funds needed to develop other American nations.

I was frightened to look at the figures on foreign aid. I knew well in advance that the amount granted to all of Latin America would be nothing compared to what has been granted to a single European or Far Eastern nation. On this point it would seem proper to consider foreign aid not as a single bulk item, but rather as a geographic item. The problem now is that if the overall foreign aid budget is cut—as some senators would like—then the countries of Latin America are certain to suffer the most. But if Congress earmarked so many dollars of foreign aid to the Middle East, so many dollars to the Far East, so many dollars to Europe and so many dollars to Latin America, then it might be that Latin America would not fare too badly.

Then on the question of taxes. Officially, the United States has urged that Latin American countries clear the air to attract more private investors willing to risk their dollars in new developments and ventures. But all the United States does is to urge. Why cannot some real inducements—such as tax benefits—be offered on the part of this country? Nationalism has been one of the biggest single obstacles blocking private capital flow to Latin American countries. But how can the United States hope to fight this problem when it also erects an equally frustrating barrier: taxes on profits earned abroad.



PUBLISHER

THIS MONTH'S COVER: Streamers of festive color set off the austere beauty of an ancient colonial church in a mountain village of Bolivia. (Kodachrome courtesy of Pan American World Airways.)

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Contents

ARTICLES

Profile: HAYA DE LA TORRE	5
Special Report: OIL RESTRICTIONS CAN HELP	8
MEXICO'S T.V. SPECTACULAR	10
PUERTO RICO TOASTS CASALS	14
ORGANIZATION OF AMERICAN STATES	20
Portrait of a City: LA PAZ, CAPITAL IN THE CLOUDS	28
BOLIVIA'S PIPELINE TO PROSPERITY	33
Interview: IS BOLIVIA ON ITS WAY TO ECONOMIC RECOVERY?	38

FEATURES

Outlook	6
Washington Letter	1
People in the News	13
Books	40

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OPPORTUNITIES FOR INVESTMENT

Construction Materials . . . Farm Equipment . . . Investment Brokers

(Publication of offerings does not necessarily constitute either endorsement or recommendation by the publishers. Available additional details may be obtained by writing to the Director, Investment Proposals, Latin American Reports, Inc., P. O. Box 2567, New Orleans 16, Louisiana.)

ECUADOR

Construction Materials

Proposal: To form a corporation in Quito under the name of *Materiales de Construcción, S. A.* in association with at least four reputable businessmen from that city. Purpose would be to supply a variety of materials and services to construction firms operating in and around this capital. Capital Desired: \$31,001 to supplement the \$18,887 already subscribed locally for a total capitalization of \$49,888. One or two investors would be satisfactory. Profits to investors would be based on amount contributed and on actual returns of business.

Background: Organizers of this project are respectable, well established residents of Quito. Among them is an ex-vice president of the republic. They offer any reasonable guarantee for the investor, including submitting pertinent documentation to the United States Embassy in Quito for verification.

Outlook: Presently there is no concern in Quito that can provide builders with essential materials, from sand to lumber to bricks, in a single operation. Proposed company would fill this need. Quito is experiencing a building boom, particularly in preparation for the XI Pan American Conference scheduled there in 1959. Calculation is that Quito will erect \$31.5 million worth of new buildings by then, thus virtually guaranteeing ample demand for the proposed business. A preliminary survey reveals the company could expect to average slightly over \$100 a day in profits at first.

Farm Equipment

Proposal: To enlarge agency now handling automobile parts and accessories to include other items: farm equipment, irrigation pumps, automobile and truck tires, kerosene refrigerators and low-cost radios. Capital Desired: \$10,000 minimum, either as a loan payable on monthly basis over two years at mutually agreed interest rate, or as a partnership investment.

Background: Proposal made by individual who has managed his business for 12 years in the busy port of Guayaquil. He has built the business from a 15,000 sucre beginning to last year's declared inventory of 417,012 sucre (about \$23,200). As references, investment-seeker offers two of Guayaquil's foremost banks; he also will permit a representative from the United States consulate to evaluate his business, if desired.

Outlook: Guayaquil is in the heart of an agricultural area where there is heavy demand for the type of article this firm wishes to market. However, competition is apt to be keen—a drawback which may be overcome with good understanding of the market and clever salesmanship. In the case of a partnership offer, Guayaquil businessman would want United States investor to come there for personal look at the business and to work out necessary arrangements.

COSTA RICA

Investment Broker

Proposal: To invest for interested parties sums ranging from \$5000 to \$100,000 in various projects already underway or now forming in any of five Central American republics. Several types of investment arrangements, with varying returns, are available. For example: certificates of investment yielding six percent interest payable quarterly and maturing in one, two or three years are available in amounts of \$5000, \$10,000, up to \$25,000. Similar certificates, but maturing in four, five and six years and paying eight percent are offered in sums from \$5000 to \$100,000. For permanent investment, this agency may be able to obtain limited stock in several upcoming or growing enterprises, including a housing finance company, a wood preserving plant and a new insurance company. Returns on these investments

may range from 10 percent to 18 percent annually on sums from \$5000 to \$300,000.

Background: Firm has been operating for 12 years in Central America out of its headquarters in San José, Costa Rica. It has aided in the planning of important financial institutions and systems—both private and governmental—now operating successfully in five countries. Among projects it has handled: a pension plan for the five national banks of Costa Rica; a life insurance finance plan in El Salvador; a mortgage and building plan in Nicaragua. In addition to capital investing functions, the firm renders counseling services in financial, administrative, business, legal, engineering, accounting and other aspects of business management. Reputable references, both in Central America and the United States, are proffered.

Outlook: The apparent soundness of the firm and the kinds of projects it handles make this an attractive possibility for the investor interested in secure, growth-type investments rather than in the speculative, jackpot type that offer higher returns but with greater risks. In addition there is the reassurance that funds are being handled competently by a firm which knows the area and the businesses concerned.

LEGEND IN THE FLESH

Despite three decades of persecution, imprisonment and exile, this magnetic man's influence is undiminished in today's Peru

Not often in the timeless pages of history has a single movement by a single man been the catalyst to stir the emotion of an entire people. Even more unique is the fact that the man is able to do all this simply because of himself . . . and not because of his position.

Under its tranquil, prosperous facade, Lima currently is seething with emotions. In the hotels, the exclusive clubs, the elegant residences; on street corners and in the slums of Peru's normally unruffled capital, conversations inevitably get around to one subject . . . to one man.

In some circles the talk is spirited and hopeful. In other quarters, however, there is jittery concern. The cause of all this is a short, pear-shaped man of 62 who has let it be known that he is returning home. His name is Victor Raúl Haya de la Torre—a name at once hated and loved.

For almost four decades Haya de la Torre, either in the wings or on-stage, has played a star role in the drama of Peruvian life. He has been cast, depending on the viewpoint, as saint, tyrant, communist, rabble-rouser, martyr and maniac. With tiresome repetition, his detractors have booted him not only off the stage but completely out of the theater. Yet doggedly Haya returns. And even in his absence, his penetrating influence has permeated Peruvian events with uncanny insistence.

Early this month, the *Alianza Popular Revolucionaria Americana* (Popular American Revolutionary Alliance) is holding its Third National Congress in Lima. Unless unexpected barriers are erected in his path (none are anticipated at the moment), Haya will preside over this gathering. For him it will be the first time since 1949 to tread on Peruvian soil as an unper-

secuted man. For the APRA party it will be the first legally-held meeting in as long a period.

That both Haya and the APRA party are again basking in the warmth of official recognition is no mere coincidence. Their fates have been intrinsically linked since Haya proclaimed the creation of an international party, the APRA, in Mexico. The year was 1924 and Haya, not yet 30, had been a political exile from his native land for four years. The political philosophy which he now offered not only Peru but the Hemisphere was a curious combination of intellectual idealism and hunger-banishing practicality. To improve the lot of the masses it called for nationalization of land and industry. To protect the nations of Latin America—which he suggested be called Indo-America—Haya urged a united front against the imperialism of the United States. To top it all he called for the “inter-Americanization” of the Panama Canal.

DEVOTED FOLLOWING. The ingredients for this broad political-social concept came from European socialism, from Mexico's agrarian revolution and from Russian communistic dogma. During his early years of enforced exile Haya traveled broadly, in the United States, in Mexico, Western Europe and Russia. There he saw and learned, and crystallized many of his ideas. But he was—and is—no communist or fellow traveler. He rejects Lenin's dictatorship of the proletariat and regards certain elements of Russian communism as dangerous to inter-Americanism.

Only in his homeland did Haya's theories get an earnest hearing and develop a loyal following. Intelligent workers, fiery intellectuals and an assortment of liberals flocked to his standard with impassioned devotion.



Another long exile comes to an end

Despite intensified persecution by a piqued government, the *apristas* persisted, multiplied and organized, while Haya magically called the signals from abroad. To the masses he became a living symbol of liberation from the traditional oligarchical rule.

Internal pressures and the great depression finally exploded the incumbent regime out of office, brought in a new government and an eventual amnesty for Haya. He ran for president in 1931 and would have won, according to most accounts, had it not been for fraudulent practices by the opposition. Antagonism flared into open hostility. The *apristas* again were persecuted; its leaders were jailed or killed and Haya once more sought refuge abroad. APRA was outlawed as being an “international” party.

But the hardy APRA did not withdraw; it merely went underground. It emerged fresh and strong during the early 40's under the enlightened administration of Manuel Prado and its exiled leader was permitted to come home. APRA's heyday came in 1945 when it leaned its incredible bulk behind a colorless, indecisive ex-diplomat, José Luis Bustamante, and got him elected president. But the government was *aprista*; its members were in the cabinet, presided over the Senate and House of Deputies, and Haya de la Torre dominated the entire show. It only lasted two years. Every inch of their socialistic way the *apristas* met the mounting resistance of their traditional opponents: the well-to-do and the military. A rapid succession of circumstantial events provided the excuse for the inevitable military coup. Bustamante was toppled, *apristas* were imprisoned and General Manuel Odriá began his decade of benevolent dictatorship.

For General Odriá there was no

worse than . . .

particularly its cunning and elusive leader, Haya de la Torre. Denied a safe-conduct to leave the country, Haya spent five years ensconced in the Colombian Embassy, armed guards surrounding the building, his window spotlighted at night. His case became a *cause célèbre*, was brought up before the International Court of Justice in The Hague. Finally in 1954, Odría relented and permitted Haya to leave Peru.

HISTORICAL CYCLE? Last year, although still outlawed, the APRA was a hidden but powerful force in the presidential elections. Courting the *aprista* vote, Odría made friendly but unsuccessful overtures in their direction. Just a few days before the balloting the APRA made a much denied but widely believed "deal" with candidate Manuel Prado: the *aprista* vote in exchange for official recognition. Prado won the presidency with a comfortable margin and the APRA became a legal party shortly after. It also picked up a still undetermined number of seats in both houses of Congress (undetermined because the *apristas* had to run as "independents").

Once more the political clouds seem to have parted for the APRA. As in 1945, their candidate is in the presidency and they have strength in Congress. And now their still energetic, still unyielding leader is returning from his European exile.

What lies ahead for the APRA and for Peru?

Much of that question will probably be answered at the party's congress this month when principles and policies long bandied about in underground obscurity can be discussed openly. So far the party has followed a course of moderation and restrained cooperation with the Prado government. But this does not mean that any of APRA's fundamental principles have changed, *apristas*, from Haya downward, point out emphatically. Such *aprista* noises disturb some Peruvians, particularly the military, who see it as a threat to the country's stability.

For the moment traditional political foes are sitting tight, displaying ballroom manners and wearing unaccustomed smiles. But everyone is keeping a keen eye on the little man with the uncanny political influence and wondering to what extent history repeats itself.

One thing is definite . . . No occurrence or series of occurrences can change the power that Haya wields over the emotion of all Peru . . . whether the emotion be love, hate or fear.



OUTLOOK

ARGENTINA

. . . Economic problems have temporarily been jolted into the background by the forthcoming convening of a Constituent Assembly to reform and update the country's Constitution of 1853. Announcement by the provisional government that elections for the 205 members composing the Assembly are to be held July 28 brought to a boil the controversy which has been simmering since the government re-adopted the 1853 document last year. It replaced the annulled Peronista constitution.

Loudest protests have come from Dr. Arturo Frondizi, right-wing leader of the powerful Radical Party (now split four ways) and only declared candidate so far for general elections scheduled next February.

Speaking over a nationwide radio hookup, Frondizi wildly berated the provisional regime and attacked plans to revise the constitution. He blamed the country's continuing economic crises on President Pedro Aramburu and his military government. "It is evident," charged the political leader, "that in the field of economics they are trying to bring the country to a state of prostration so that a future government will find it impossible to develop a policy of national independence." He also accused the government of planning to sell out the country to the "oligarchy and the forces of international capitalism."

Such petulant twisting of facts came as a shock even to many of Frondizi's supporters. Many of these reportedly are taking a new look at their candidate. Until now Frondizi has been regarded as a strong challenger for the presidency. But today his fellow citizens and many of his followers are asking if this is the voice of the future president. If so, what does it portend? The answer seems to be: narrow nationalism and a continuation of government interference in private enterprise.

Frondizi's violent opposition to the constitution reform is transparently clear. One possible constitutional modification would institute the proportional vote system, under which

any one party would need a minimum of 51 percent of the popular vote to gain control of the government. The likelihood of one group polling such a majority is remote, even for Frondizi's powerful but divided Radical Party. In the event of proportional representation, the country would be governed by a coalition of parties, very much as France is now governed.

Aside from its immediate effects on ambitious politicians, proposed changes in Argentina's electoral system can profoundly alter the course of the country's political—and as a result, economic—life. Essentially, it comes down to a twin-alternative issue: 1) a two-party system like the United States' or Britain's; 2) a multi-party system. Presumably, democratic principles can be safeguarded under either method. The battle rages about which one is the more efficient.

BRAZIL

. . . To dispel any notions abroad that President Juscelino Kubitschek or his government may be easing up on the country's nationalistic petroleum policy, Colonel Janary Nunes, president of Petrobras, the national petroleum monopoly, let out an unequivocal statement. Said Nunes:

"The President's complete backing of Petrobras constitutes a categorical denial of reports of an alleged modification of our national oil policy. His support has always been volunteered and enthusiastic and he has always evidenced it without reservations. Reports . . . outside the country (fail) to understand the reasons why we are fighting as we are in the petroleum sector. The battle will be won successfully for the economic redemption of Brazil."

Backstopping Petrobras' president was the head of the National Petroleum Council, Colonel Mario Pope de Figueiredo. He hinted at a subtle campaign waged by interested parties to bring about oil rationing in Brazil in an effort to discredit Petrobras and undermine the people's confidence in the petroleum agency. But he added that the Council had been able to overcome successfully this subterfuge without endangering the petroleum program.

Even as these pronouncements of

student's to the "patriotism of ours" philosophy were aired, forces within Brazil were at work to modify Petrobras, which is accused by its opponents of spending large sums of money while producing only a fraction of Brazil's petroleum needs. Deputy Adolfo Gentil announced that he would introduce a bill in the Brazilian legislature to revamp the state oil agency. His proposal calls for keeping all petroleum operations under federal control but allowing private companies organized by Brazilians in Brazil to do research, drill, transport and refine. Backing Deputy Gentil are some fellow legislators who feel that private capital can help increase oil production. Whether they can muster enough strength—even for this modest alteration—to buck the legislature's ultra-nationalists is something no one is promising.

PANAMA

... Despite the discordant and distracting clamor emitting from Suez, unhappy rumblings from another troubled waterway of no less potential significance continued to be heard from Panama.

During a seminar sponsored by the National University of Panama, late in March, professors and jurists from several Latin American coun-

tries met to review the legalities of interoceanic canals. César Quinteros, a jurist and professor at the Panamanian university, questioned the legality of the 1903 treaty by which the United States obtained from Panama perpetual rights to the 10-mile-wide Canal Zone. He argued that arrangements of donations in perpetuity run contrary to the principles of modern international law. A colleague and fellow Panamanian, Octavio Fábregas, plumped for a revision of treaties regulating interoceanic canals. He based his argument on "a new concept of international law" which considers the natural rights of nations in which such waterways are located. Fábregas developed the thesis that geography is a nation's natural asset and consequently should not be submitted to international regulation.

Arguments of the Panamanians found considerable support among their colleagues from sister republics. A Chilean delegate asserted that Panama's aspirations and rights had not yet been fulfilled; a representative from Honduras suggested a treaty be signed by all the American nations to fix Panama's compensation for allowing the canal on her territory. Professor Raul Cervantes Ahumada of the University of Mexico said he

of the Suez and Panama canals.

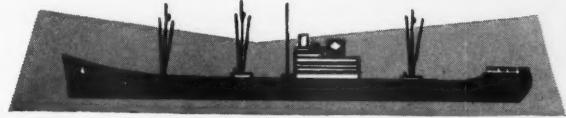
Meanwhile, as unconfirmed reports circulated in Panama and in the United States that Panama is nourishing intentions of nationalizing the vital waterway, the Russians cleverly focused world attention on the canal by protesting to the U. S. government about discrimination by canal authorities in the treatment of its vessels. But the teaser of the controversy popped up in a London newspaper, the *Daily Express*. In an allegedly exclusive interview, the paper quoted Panama President Ernesto de la Guardia Jr. as saying his country intends to "resume complete sovereignty" of the canal and the Canal Zone.

Later, however, in an interview with United States newsmen, the president denied that his small republic had any intention of taking over the complex waterway. Any differences between the two countries, De la Guardia asserted, resulted from misunderstandings concerning mutual benefits. Even as these explanations were making headlines, it was revealed in Washington that the United States and Panama were not understanding each other over a benefit that the United States was seeking: sites in Panamanian territory to establish anti-aircraft missile stations.

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OIL RESTRICTIONS CAN HELP . . .

A survey by **LATIN AMERICAN REPORT** magazine now shows that if and when the United States finds it necessary to place restrictions on the importation of foreign oil, if voluntary methods fail, the move will not hurt—but rather will tend to accelerate oil development and production in the Latin American republics.

Certain amount of anxiety developed in the Latin American oil industry when President Eisenhower flashed the green light for a complete review of the crude oil import situation.

The news was particularly distressing to exporting nations such as Venezuela, Mexico and Bolivia, and to hopefuls such as Cuba, Guatemala, Panama, Ecuador, Costa Rica and Peru.

The sting that really caused deep concern was this part of President Eisenhower's statement:

"On the basis of presently available information I agree there is reason for the belief that crude oil is being imported in such quantities as to threaten to impair the national security. . . ."

In cold language the President's statement could have but one meaning—either voluntary or enforced restrictions on foreign oil—and there was no qualifying phrase in the President's statement as to whether he meant foreign to the United States, or foreign to the Western Hemisphere.

Officially, the thinking of the President in this respect still has not been formally clarified. To find the answers, **LATIN AMERICAN REPORT** consulted with independent oil producers who have felt that "foreign oil" imports are hurting.

Harold Decker, a Houston independent who worked with the President in an advisory capacity during the Suez situation, offered this view:

"I don't think the restrictions that the President comes up with will hurt Latin American oil development at all. In fact, I think import limitations may prove helpful to the Latin American industry in the long run."

Decker, who is president of Highland Oil Company, went on to explain his thinking.



Independent Producer Gohilon
Economies tied to the barrel of oil



Independents' Vaughay
For Latin America's Market—A Threat



IPAA's Wood
Judicious allocation of imports

"You can't consider Latin American oil and Mid-East oil in the same manner when it comes to import limitations. We have to protect hemispheric production and development in the interest of national security. I believe the President will take that into consideration in whatever manner of import restrictions he comes up with."

KEEP HEMISPHERE PRODUCTION STRONG

President of the Independent Petroleum Association of America, Texas oilman Robert L. Wood, voicing his own opinion and seemingly that of a great many forward-thinking IPAA members, expressed similar views:

"I think the Office of Defense Mobilization (on whose advice President Eisenhower acted to launch a study of oil imports) is cognizant of the need to keep Western Hemisphere production strong by judicious allocation of imports," Wood said, "but we (of the IPAA) don't take a stand on where restrictions should apply . . . only that they be applied."

It seems to be the consensus of independents that proposed restrictions, when and if they come, will be directed mainly toward curbing excessive imports of low-cost crude from the Middle East. Threats to the security of the United States and the entire Hemisphere (inherent in import policies that would make this country dependent on Mid-East oil) were clearly revealed by the stoppage of oil flow to Western Europe during the Suez crisis last winter.

This point is emphasized by Mississippi independent W. M. Vaughay, a vice-president of IPAA, who told **LATIN AMERICAN REPORT**:

"We can't depend on oil from an area where someone can pull the plug in the bathtub any time he feels like it. The Suez situation has shown us that, if nothing else."

On the other hand, continued development and production of Latin American oil are almost as important strategically to the United States as is this country's own domestic supply. Here is an enormous source in countries which are friends and neighbors of the United States. Unlike the Middle East's, Latin American oil is not at the

Independent oilmen say US import curbs needed to develop Hemispheric Production

mercy of capricious action by Communist-inspired regimes, and it is well beyond the grasp of Soviet Russia.

MEANING OF LATIN AMERICAN OIL

To visualize the importance of Latin American oil to the security of the United States and the free world, it is necessary to understand the scope of that vast area's oil industry.

During 1956 Latin American countries produced 20 percent of the free world's total oil supply. Latin American production for the year amounted to 14-billion barrels of crude. This represents current production. It only hints at a vast, untapped potential, much of which is yet unexplored. In almost every Latin American country intensive oil exploration programs are underway. Continuation of development programs is of vital importance to the economies of these countries. Rapid development of this oil potential is equally vital to the security of the United States and the Hemisphere.

Continued development of strong production in Latin America's oil industry cannot be assured if the United States clamps on oil import restrictions indiscriminately. On the other hand, if Mid-East oil imports are allowed to continue without limitation, Latin American oil development is going to be slowed as United States domestic oil development has been.

IPAA's Vaughay backed up this opinion in a statement to **LATIN AMERICAN REPORT**:

"Latin American oil is going to be in the same situation as United States and Canadian oil unless there is some limitation of Mid-East imports," he said. "No country can compete with Mid-East crude in price. Nor is the Latin American industry's market safe when the big tankers that are being built today can just as easily go to the Middle East as to Venezuela. Latin American producers are going to be faced with loss of a market just as they have been in Canada unless Mid-East oil imports are restricted in the United States."

Texas independent Wood pointed out that United States domestic drilling is off 12 percent from a year ago—down 18 percent from its peak period. He lays much of the decline in domestic activity to the effect of excessive imports. "Excessive imports have a direct effect on the evaluation of reserves as well as the price of crude and

make it harder for the operator to get money for drilling," Wood said. These effects are carried over into Latin American development.

EFFECT OF RESTRICTIONS

Another IPAA vice-president, Louisiana's Charlie Gohlson, was a little less certain about how import restrictions should be allocated.

"I do recognize the fact that the economies of Latin American countries are tied pretty close to the barrel of oil," he said. "But that is no different than to say that the farmer's economy is tied to the bale of cotton. Now what our responsibility is to these countries, I don't know. We no doubt have some responsibility to them, but I don't know what it is . . . and it is not for me to decide."

Generally the feeling of independent producers seems to be that President Eisenhower should make the decision on how import restrictions are to be allocated. The belief appears prevalent that Latin America will not fare badly as a result of whatever decision the President makes.

Just how closely are the economies of Latin American countries "tied to the barrel of oil?"

Oil-exporting countries such as Venezuela and Bolivia rely heavily on oil as an earner of dollar exchange. Exchange so earned is used largely for purchases of United States manufactured goods and other products, and plays a vital role in the flow of trade between the countries. Any United States action such as unfavorable import quotas, tending to curtail sales of Latin American oil in this country would force affected countries to cut United States purchases by just that much. The effect would be harmful to United States trade and to the economies of Latin American nations.

Oil-importing countries would be no less seriously affected. Most of these countries are conducting intensive oil development programs toward achieving self-sufficiency through domestic production. Result of this is a saving in valuable dollar exchange that may be used for badly needed imports other than oil.

Steps by the United States that could block development of oil in Latin America would have adverse effect on the economies of almost all Latin American countries. Such action would render a telling blow to inter-American trade. It could hardly be expected to improve security conditions for the Western Hemisphere.

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AROUND THE WORLD IN 120 Minutes



Scene from Mexican TV spectacular is a duel in Italy

Mexico City, which has been forging ahead to make good its claim as the "first" in many categories in the Americas, now claims a "first" in a television production which well could rival the best that has emanated from the studios of Hollywood or New York.

Most incredible aspect is that despite the vastness and the scope of the production all was accomplished within the rigid confines of TV studios with the exception of filmed shots which were required for the establishing of location.

Title of the production freely

translated into English is "Around the World in 120 Minutes" — and it takes all of that time and more for the story to be told through the TV cameras.

Idea for this first extravaganza to be televised in Mexico came from Pepsi-Cola Mexicana's General

120 MINUTES Mexico style

Manager, Harry Hambleton and Eulalio Sanchez, President of Publicidad Interamericana, advertising agency.

All of the gimmicks which have made television in the United States so successful were used in the Mexican production plus a few added gimmicks devised by the Mexican agency and the sponsors.

There is the inevitable quiz show and the prize is a trip for two around the world. Winner is Martha Mijares, in real life one of Mexico's leading movie actresses, and loser is Susana Cabrera, TV actress. As it develops there is no loser because the winner invites the other on the tour.

This then is the vehicle which is used in travels to New York, to England, to France, to Spain, to Italy, to Hawaii, to Cuba and then back to Mexico.

Local characteristics which have made the respective countries famed throughout the world are featured in sets within the studios themselves.

High spot of the entire production is a bullfight which is actually staged in a miniature bullring built in the studios. The set was artificial but the bull and the bullfighter, Jorge Medina, were not.

High points in the program were a bullfight in Spain (right), a ballet in London (below), and (bottom of page) a Hawaiian scene.



Other high points include the ballet in England, romance and a duel in Italy, sidewalk cafes in Paris, hula-hula dancing in Hawaii, and rock-n-roll in New York.

From a business standpoint the Mexican production offers some most interesting figures. It required less than two months of planning and rehearsal and the entire cost — including TV time and radio time — was only \$30,000.00 for a two and one half hour show.

... AND THIS IS THE TV TRIP

AROUND THE WORLD



The winners



... off for the London ballet



... and romance in Italy.



... to sidewalk cafes in Paris



The hula of Hawaii . . . and



back home to the charro.

People

IN THE NEWS

Mission Accomplished:

With a handful of ideas and a bagful of medals, Colombia's perky Finance Minister, Dr. Luis Morales Gómez, landed in New York and went briskly about the business of putting them both to good use. The ideas he crystallized into a loan from several New York banks; with the medals he decorated the chests of several prominent United States bankers and businessmen whose financial backing has helped Colombia crawl out of its \$300 million foreign debt. Among the decorated Wallstreeters: the brothers David and James Rockefeller. Also honored was Henry Holland, former Assistant Secretary of State for Inter-American Affairs, who received the Cruz de Boyacá for generating good relations between the United States and Colombia.

With that taken care of, Dr. Morales flew down to Washington, negotiated a loan (for an undisclosed sum) from the U. S. Government. With this and the bank loans the busy finance minister expects to pay off previously frozen dividends of U. S. companies operating in Colombia. With understandable satisfaction Dr. Morales announced, "Now we have taken care of our financial obligations 100 percent . . ."



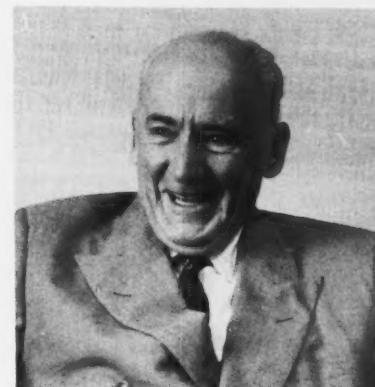
Morales, Rockefeller and Holland

Is You Is? Mexican politicians, editorialists and political pundits are in a dither: Is Lázaro Cárdenas staging a political comeback or not? The respected ex-president (1934-40), who the past few years has been living quietly in his native state of Michoacán, has suddenly popped into the national limelight with busy tours across Mexico and a flurry of frankly political speeches. Nettled by strong insinuations and outright statements from the press that he had launched a campaign to capture the presidency in next year's election, he lashed out at "irresponsible newspapers," insisted that he is simply a "citizen who wants to know how things are in his country." No one denied that this could well be true, but many an eyebrow was still quizzically cocked.

Boomerang: More and more it looks like Carlos Lacerda's latest brickbats aimed at Brazil's Kubitschek administration are turning out to be boomerangs. For weeks the government-baiting deputy and publisher has been bent on discrediting Vice-President Joao Goulart. On the Chamber floor and through his Rio daily, *Tribuna da Impresa*, he has charged one-time shady negotiations between Goulart and former Argentine dictator Juan Perón. Unconvinced, Congress dismissed the charges. Lacerda, however, pressed the issue with a telegram supposedly obtained from the files of Brazil's Foreign Ministry. With that the government asked the Chamber of Deputies to suspend Lacerda's immunity so that he could be tried for treason. The charge: making public a coded diplomatic message. To cap the matter the administration let Congress know that it would need \$250,000 to create a new code.

Power For Growth: As officials beamed and flashguns winked, President Juscelino Kubitschek pulled a switch and a unit of generators buzzed into a 40,000-kilowatt whirl of activity. Immediately current from

the mammoth \$41,000,000 Peixoto hydro-electric project coursed into Brazil's power-thirsty agricultural heartland. Eventually the dam, which straddles the Rio Grande less than 300 miles west of Rio de Janeiro, will produce 400,000 kilowatts of power. Among guests at Peixoto's dedication were United States Ambassador *Ellis Briggs* and *Henry Sargent*, president of the American & Foreign Power Company which helped finance the project.



Manuel Mejia

Coffeeman's Reward: Another prominent Colombian flew into the United States on a less active mission. *Manuel Mejia*, coffee economist and respected business and civic leader, was invited to New Orleans to receive the 1956 Theodore Brent Inter-American Award for "his many years of activities devoted . . . to economic and social progress . . . at an hemispheric level." Between speeches and banquets, the 69-year-old manager of Colombia's powerful National Federation of Coffee Growers took time to give a capsule evaluation of the coffee situation today.

—Current coffee market stability due to good balance between consumption and production . . .

—African coffee exports, ever increasing, have not cut into market because of equally increasing consumption . . .

—Exports to the USSR are growing as a result of the Russians' interest in expanding their own sales in Latin America . . .

Quietly, but as firmly as ever, the coffeeeman defended the idea of an international organization to regulate production, pricing and the marketing of coffee. Such an organization he said, would "prevent a chaotic market and protect both producers and consumers."

Cello Virtuoso Lends Inspiration to Festival As Music Greats Perform Before Empty Podium

PUERTO RICO TOASTS CASALS

As the lights dimmed and the packed auditorium hushed, the concertmaster looked around at his fellow musicians, gazed one last time at the empty podium and gave the signal to play. With rare inspiration and artistry the 47-member orchestra brought to life Bach's Suite No. 1 in C Major and thus fixed its standard for the next 11 concerts of the Casals Festival in San Juan, Puerto Rico.

Their inspiration was Pablo Casals, a man whose standards, particularly in music, are superlative. The festival's opening number was to have been a solo piece by the maestro himself, regarded by fellow-musicians, critics and audiences the world over as the greatest living cellist. Instead, the 80-year-old virtuoso lay under an oxygen tent at his suburban home, recovering from a coronary thrombosis. The attack struck down the famed musician during the orchestra's first rehearsal, a week before the festival's opening date. As he was borne from the auditorium, the maestro rolled his head and sighed . . . "What a pity . . . what a pity . . . such a marvelous orchestra . . ."

When it became evident that Pablo Casals would be unable to perform or conduct, reluctant modifications were decided by the festival committee. Selections which required the performance of the cellist were stricken from the program "in homage to the master." In further tribute to Casals, the podium remained unoccupied. The orchestra took its cues and beats from Alexander Schneider occupying his seat as first violinist. Schneider, a close friend of Casals' who first persuaded the cellist to hold his festivals in Prades, France, had also helped in the organization of the Puerto Rican festival.

REDOUBLED EFFORTS. Preparations for Puerto Rico's greatest musical event had been underway for months. Tickets to the festival were sold out weeks in advance; guest-housing went just as fast, with San Juan hotel managers wishing they could double their space. For several months travel agents, tourism officials and even the island's first lady, Señora Luis

Muñoz Marín, had ferreted out extra rooms in private homes to accommodate the anticipated flood of guests. When word of the cellist's collapse first got around, cancellations were reported by some hotels. However, these soon stopped when it became known that the festival would still be held.

To insure the festival's success and make up for the maestro's absence, soloists and orchestra members—recruited mostly in the United States—vowed to redouble their efforts. Pianist Rudolf Serkin summed up the musician's feelings when he said, "We will play twice as well as we have ever done."

Morning and afternoon the performers rehearsed. The outcome was a series of concerts rendered, on the whole, with almost uncanny sureness and sensitivity which thrilled the nightly capacity crowds. Although Casals was not on the podium in body, his spirit permeated the festival.

The idea of a music festival in tropical Puerto Rico occurred to Casals during a visit to the island last winter. The visit brought fulfillment of a long-standing Casals dream: to pay homage to his mother's birthplace and meet his many cousins still living on the island. His Catalonian mother, Pilar Defilló, was born in Mayagüez, Puerto Rico's third largest city, but left as a young girl for the Spain of her parents—never to return. The house of her Mayagüez childhood still stands, however. And to its memories new echoes sound, for Casals was so moved on his first visit that he gave an impromptu concert. Greatly attracted then by the island's mild climate, its people's Spanish ways and the proximity of music lovers the length of the Western Hemisphere, the cellist felt that this would be a good place to establish his winter home and launch a series of festivals—a Caribbean counterpart of those he has directed in southern France's Prades every year since 1950.

"LET FRANCO GIVE UP . . ."

That year was a joyful one for music lovers around the globe. After 11

years of self-imposed seclusion, the great Casals was consenting to perform in public again. In 1939, when the Spanish Civil War ended in victory for General Francisco Franco, Casals abandoned his career in mute protest against the dictator's action, and went into voluntary exile in Prades, across the border from his native Catalonia. He devoted himself and his

In music and politics—uncompromising principles





Spanish exiles. Except for a few concerts in London and Paris after World War II and the quiet, intimate Prades festivals, he has resisted steadfastly the beseeching cries of impresarios for grand scale performances, particularly in countries which have rec-

Nonetheless, Casals has renewed his Spanish passport periodically at the Spanish consulate in Perpignan. Asked once why he did not relinquish it, Casals replied: "It is my country. Let Franco give up his passport!"

No politician, but a moralist of

Casals sees his actions as the only way he can effectively protest against political oppression in his native country. For this reason he has refused to return to Spain; for this reason he cut short extensive plans for launching a new career in England after an auspicious beginning in 1945; and for this reason he has stoutly and repeatedly refused to appear in the continental United States.

"I have great affection for the United States," Casals said in an interview on his 80th birthday last December. "But as a refugee from Franco Spain I cannot condone America's support for a dictator who sided with America's enemies, Hitler and Mussolini. Franco's power would surely collapse today without American aid."

However, since Casals' comments have been broadcast through the press during the past few months, a body of comment has cropped up. It has been pointed out that France, Casals' residence for many years, was much more instrumental than the United States in aiding the Franco regime to establish itself, failing in many instances to back up anti-Franco forces when opportunities arose. Moreover, Puerto Rico and the United States share the same Department of State and the same foreign policy, for the island Commonwealth has no foreign affairs apart from those enunciated in Washington. Despite these arguments, Casals still maintains his personal boycott of continental United States—while admiring this nation's democratic principles from its tiny Caribbean island-partner. He describes the Puerto Rican people as walking "with



At the first rehearsal . . . Bach and a coronary thrombosis

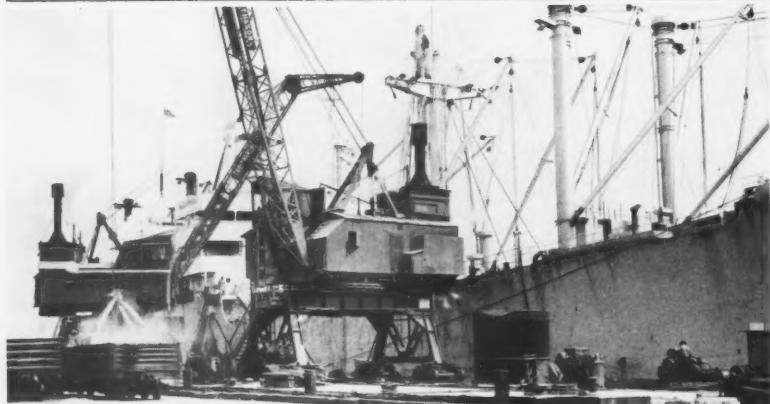


great help," and adds, "One cannot witness the degree of autonomy and self-government little Puerto Rico has without recognizing that here we have a relationship between a great power and a small state that is an example for the whole world."

EARLY REVELATION. Skeptics suggest that even if Casals lifted his ban of United States concert halls his appearances would be few. After all, at 80 he could hardly be expected to tour as indefatigably as he did in the 1920's at the height of his virtuoso career. Those who have made the trip to Prades, however, claim that the many years Casals has spent in

the hot-house atmosphere and break-neck pace of the recital business—have added depth to his musical conception and, mellowness to his execution while detracting not one whit from the dazzling technical perfection which he developed in his youth.

Casals first felt the weight of the cello as a child in his native Spain. His father, Carlets Casals, was musician-about-town and organist of the parish church in Vendrell, a village some 30 miles from Barcelona. From him young Pablo (one of eleven children) received his first musical instruction: vocal work at age four, organ at six, violin at seven and fin-



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At Mayaguez . . . memories stir an impromptu concert

The Mae

ally the cello at eleven. After a few lessons on the monster fiddle both teacher and pupil knew that a match had been made; accordingly, a bright-eyed, well-scrubbed Pablo was packed off to Barcelona and a bona fide cello teacher. To Casals, "the great revelation of my life" was the discovery of Bach cello compositions when he was 13. Inevitably Madrid called. Here, under the patronage of the queen-mother, Maria Cristina, he continued to study and play, gaining great experience in chamber music. After a short period in Paris and a tour of duty in his old teacher's post as cello professor in Barcelona, Casals felt ready in 1899 to launch his career as a soloist. A tremendous success in the Lalo Concerto with Paris' Lamoureux Orchestra opened the doorway for Casals' almost unqualified artistic triumph. During the next 35 years recital tours and chamber music appearances took him to nearly every capital in the Western World, earning for him the laurels which proclaimed him the world's leading cellist.

Not content to excel only as a performing artist, Casals also gained skill and reputation as a conductor.

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The Maestro finds promising talent in Puerto Rico: Cellist Martita Montañez



... and composer Amaury Veray, Casals scholarship recipient

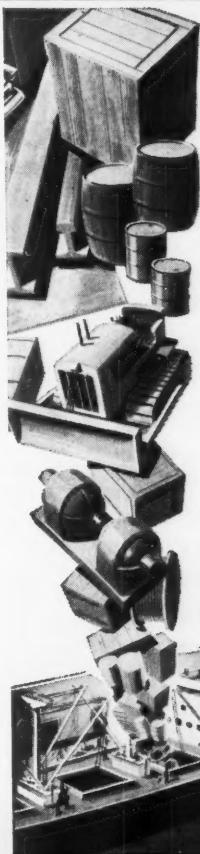
After World War I, he organized a symphony orchestra in Barcelona in the face of almost complete skepticism, apathy and discouragement. Out of his own pocket he paid the group's bills until concert receipts enabled it to become self-sufficient. In addition, he divided his road time between appearances as cellist and as conductor. Before his 1939 retirement he had been guest conductor of such famous aggregations as the Vienna Philharmonic, the London Symphony, Paris' Lamoureux, the Cologne Orchestra and the now defunct New York Symphony Orchestra. At one time or another he also conducted in Rome, Berlin, Prague, Zurich, Buenos Aires, Mexico City and Havana.

FRUSTRATION'S TEARS. Whether as cellist or conductor, Casals' musical efforts have been directed toward one end: to extract from the written page the essence of the music it represents, without undue flourish, extraneous contortion or externally imposed personality. This fundamental and characteristic honesty (and an accompanying distrust of any traditional interpretation until it proves its worth), results in the constant re-

examination of works in hopes of discovering a different nuance which may shed new light on a passage. All of which results in long and grueling orchestra rehearsals. During these tense sessions hardened players have verged on tears of frustration from trying to achieve the maestro's exacting requirement. As a result, however, performances under Casals' baton are marked by freshness, sin-

cerity and absence of cliché.

Casals has exercised this same freshness of approach toward the cello from the beginning of his career. Dissatisfied with the technically flashy but musically shallow pieces which formed the cello repertory at the turn of the century, Casals undertook an investigation of works for the instrument (and its predecessor, the viola de gamba). As a result he



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Easy conversation between close friends—
Casals and Gov. Muñoz

revived the unaccompanied cello suites of Bach and the concertos of Haydn, Schumann and Dvorak, without which the repertory of a 20th century cellist would be indeed scant. His influence in raising the cello to the rank of a virtuoso—but still musical—instrument has also affected composition. Nowadays composers find ample challenge—and reward—in putting their best efforts into works for cello and piano.

As with orchestral music, Casals

has never allowed himself to close the book on cello technique or execution of passages in cello music. A perfectionist, he is willing to spend unlimited time in working out details of a phrase, later perhaps, to discard it completely in favor of an inquiry from another point of view. He still finds that here a slightly different fingering or there a slightly different degree of bow pressure will bring to life with greater clarity cello passages he thoroughly mastered a half-century ago. He even hesitates to make known fingerings which he uses, since revision and more suitable ones are always possible.

As a teacher Casals has never gone out of his way to attract pupils; they flock to him from all over the world for criticism and advice. A generation of Casals pupils has now reached maturity and is active in recital, chamber music and orchestral work.

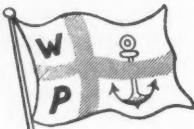
Until his heart attack, Casals had been seeing a group of advanced professional and student cellists from such far flung areas as China, the Philippines and Israel. Some were on flying visits between engagements. Others came for a series of lessons. But always there was a colony of cellists and other stringed instrument players around his suburban home in San Juan.

HOPE FOR RECOVERY. News of Pablo Casals' illness shocked the world and particularly the tiny island which has taken the Spanish virtuoso to its heart. Notes from well-wishers have poured in by the hundreds. Several of his students spent the first night of the attack at their master's bedside. The island's House of Representatives stood for a minute in silent prayer for the recovery of the renowned cellist. Governor and Mrs. Muñoz Marín, who have become close friends of Don Pablo, have been frequent visitors at the beach-front cottage where Casals is convalescing. And along the sandy beaches and streets in his vicinity, where the bald little man with the black umbrella had become a familiar figure, his everyday neighbors miss him. Instead of the cheerful greeting, "Hola, Don Pablo!" they now ask, "Cómo está Don Pablo?"

Doctors attending Casals have issued a guarded answer to this universal question. Dr. Paul Dudley White, the Boston heart specialist who attended President Eisenhower, was brought in by the island's government to examine the distinguished musician. Dr. White said that following a long convalescence, Pablo Casals might be able to resume his work on a limited scale. This, the specialist added, was provided there were no "complications and the heart is not enlarged appreciably."

In another sense, there are thousands who hold the conviction that the Casals heart could be no bigger. Luis Quintanilla, the Spanish artist who finished a portrait of the maestro shortly before his illness, described the cellist as "one of these exceptional men who radiate affection. His voice, his manner, his facial expressions and his laughter are affectionate. When you have been in his company for a few minutes you really love him." For admirers the world over of Casals the virtuoso, of Casals the uncompromising and of Casals the gentle, the vigil will be a devoted one.

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ORGANIZATION OF AMERICAN STATES "Watchdog" of the Hemisphere

Peace-Maker Role One of Many in OAS' Work-a-Day Efforts to Bring About Better Way of Life in the Americas



The Council of the Organization of American States—forum of a continent

A new war was breeding in Central America—a war that could upset in some measure the peace of the Hemisphere. Then one day a small team of men departed Washington for the trouble spot. The peace-making machinery of a great organization had begun to move.

The governing military junta of Honduras had issued a decree that fanned into flame a dispute which long had smoldered in the jungles. The first sign of smoke was a signal for the Organization of American States—watchdog of the Hemisphere—to sit up and take notice. The day was February 21, 1957.

On that day the Honduran junta announced creation of a new department (state) to be called Gracias a Dios. The avowed intention behind the decree was to begin colonization and development of a remote, sparsely populated area. The only catch: the lands making up the new department also were claimed by neighboring Nicaragua.

It was a long-standing dispute dating almost to the origins of the Central American republics. Honduras' action merely brought it to a

head. Honduras' position was that the border had been fixed by arbitration by King Alfonso of Spain in 1906. But Nicaragua did not recognize this decision.

Developments throughout March moved rapidly in the direction of war. Nicaragua officially protested to Honduras the forming of the new department, and President Luis Somoza accused the Honduran government of a military build-up along the border. Honduras moved a contingent of settlers into the new territory and threatened to chastise Nicaragua "if a single drop of Honduran blood is shed."

April was a period of threats, charges and countercharges. Both countries moved armed forces into the disputed area. Meanwhile the Council of the Organization of American States, sitting in Washington, watched the situation develop and remained alert to any overt threat to hemispheric peace.

April 29, Honduras formally accused Nicaragua of aggression before the Organization of American States. Honduras charged that Nicaraguan forces had invaded her territory and asked invocation of the Rio Pact,

which provides for collective action and sanctions against Hemisphere aggressors.

Finally there occurred a clash that touched off general hostilities between the two countries. A few hours after Luis Somoza was sworn into office for another term as Nicaragua's chief of state, he announced that Nicaraguan troops had suffered 35 casualties in a morning clash with Honduran forces. At 5 a. m. on May 2, after an all-night conference, President Somoza issued an order for general mobilization of the army "for legal defense of our northern frontier."

FIELDING A TEAM. That same day in Washington the Organization of American States initiated action. A truce team of five ambassadors from American Nations, headed by Ricardo Arias of Panama, started for the troubled area. In Tegucigalpa, capital of Honduras, they were cheered by thousands, chanting "Justice!"

Ground clashes and reports of bombings and air battles continued. Tempers were short. "We are losing our patience," said General Rodriguez of the Honduran junta. Nicaragua's Somoza charged "death and destruction" from Honduran attacks.

While the OAS peace mission conferred throughout the night with Honduran officials, President Somoza cabled the committee: "Just one more strafing and the committee might as well go back to Washington."

The peace mission left Tegucigalpa prematurely May 5 and hurried to Managua to investigate reports of new border incidents and a Nicaraguan warning of war. After several hours' delay due to unconfirmed reports of new Honduran attacks, President Somoza finally signed the cease-fire agreement presented by the OAS team. Honduran officials also had signed.

The situation remained touchy. There were incidents of cease-fire violations. But the OAS investigators were on the spot to cope with these. Long-range settlement of the dispute remained to be worked out—but now there was time.

The Organization of American States was dealing with the latest threat to peaceful co-existence in the Hemisphere. The days are no longer

pant among disputing nations.

What has brought about this change? What is this powerful Organization of American States?

This year the OAS commemo-
rates 67 years of the modern Pan
American movement which began with
the First International Conference of
American States, held at Washington
in 1890. This conference resulted in
creation of the International Union of
American Republics, which in turn led
to the Organization of American States
at the Bogotá, Colombia conference
of 1948.

Actually, however, the concept of
inter-American unity and cooperation
had its inception long before the First
International Conference of American States.
The idea was conceived by the
genius of one man back in the dark
days of colonial oppression and con-
flict, and in his mind it was nurtured
into a dream that eventually was to
bear fruit. That man was Simón Bolí-
var, who was destined eventually to
become the liberator of northern South
America. Years before the South
American countries gained their
independence, Caracas-born Bolívar
voiced that dream while exiled in Ja-
maica. He wrote, in what has become
known as the "Jamaica Letter," the fol-

lowing passage. *How beautiful it
would be if the Isthmus of Panama
should come to be to us what the Isth-
mus of Corinth was to the Greeks.
May God grant that some day we may
have the happiness of installing there
an august congress . . . to discuss the
high interests of peace and war with
nations of other parts of the world.*

By the year 1824 the great Bolívar
had become the successful "Libera-
tor" and as acting head of government
of that fledgling republic of Gran
Colombia he deemed the time was
right for holding such a congress. On
December 7 of that year Bolívar sent
out to the new American republics an
invitation in which he outlined the
"cardinal aims" of the congress as the
*establishment of certain fixed prin-
ciples for securing the preservation of
peace between the nations of America,
and the concurrence of all those na-
tions to defend their common cause,
each one contributing thereto upon the
basis of population.*

10 SESSIONS, 4 TREATIES. One
sweltering hot day in July two
years later, in 1826, delegates from
four countries—but including in their
territories what are now the republics
of Peru, Bolivia, Colombia, Venezuela,
Ecuador, Panama, Costa Rica, Nicara-
agua, El Salvador, Guatemala, Hon-

garia and Mexico—met at Panama,
and after 10 working sessions approved
four treaties that became the foundation
for the present inter-American
system of cooperation found in the Orga-
nization of American States. It may
be pointed out that in sympathy with
the Panama Congress of 1826, though
not represented for one reason or
another, were a number of other
American countries, among them the
United States.

In effect, this first effort at Ameri-
can unification and cooperation bound
the member nations to consult on impor-
tant matters, to back each other
against outside aggression, to renounce
war as a means of solving disputes am-
ong themselves, to respect each
other's territories and independence
and to take unified action to punish
any state that should violate the laws
of the American community.

The Congress of Panama bore the
fruits of both misfortune and fortune.
Unfortunately, the Pan American plan-
ners of 1826 were too far advanced
in their ideas for the realities of their
time. Fortunately, they laid the ground-
work for the future of Pan American-
ism.

As the dangers of reconquest by
Spain decreased, the countries turned
their attentions to internal problems

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by Colombia, and then only partially. Simón Bolívar, the first great dreamer of Pan American union, died a few years later without ever seeing the realization of his dream.

It was not until 1890, when delegates from 18 American republics assembled in Washington, with United States Secretary of State, James C. Blaine, as chairman, that the time became ripe for a formal union of Western Hemisphere countries. Out of this first meeting emerged the International Union of the American Republics, which in 1910 was re-named the Pan American Union. Today the name proudly identifies the General Secretariat of the OAS.

WORKING FORUM. Thus the original Congress of Panama had not been for naught. Wrote James Brown Scott, noted authority on international law, *The inception of the congress transcended in importance its meeting, and indeed its proceedings. The Americans had outwardly confessed their inner unity, and without respect to geography, language, religion and racial differences, they were to meet and confer on the state of the continent.*

This they are still doing today—130 years later—through the instrument of the Organization of American States. The OAS is a multi-nation forum which, with the signing of the Charter by Argentina, comprises every sovereign nation in the Western Hemisphere, with the exception of Canada. In brief, the objectives of the OAS are peace, security, justice and understanding, together with cultural, social and economic well-being, for the 21 member republics of the American community.

But words and ideals, and indeed, organizations, may often prove barren things when put to the test. For the Organization of American States, the first test was not long in coming.

In December, 1948, the Inter-American Treaty of Reciprocal Assistance, signed at Rio de Janeiro the previous year, went into effect. Only one week later, a border dispute over the ill-defined boundary between the republics of Nicaragua and Costa Rica flared into the open and threatened the peace of these two countries, whose governments were embroiled in a feud of long standing. Threatened hostilities were postponed while the dispute was placed before the Council of the OAS for action. Acting under emergency powers of the treaty, the Council, which is made up of an ambassador from each of the member nations, peacefully resolved the border differences between the two republics and successfully averted hostilities.



... Campaigning against illiteracy everywhere

DILEMMA RESOLVED. Twice more hemispheric peace was threatened and hostilities were staved off by OAS action: in the Caribbean in 1950, and the Guatemalan situation in 1954.

Then in January, 1955, came the real test. On January 11, diplomats of OAS countries were startled by a terse communiqué from San José charging that Nicaraguans and some Costa Ricans had invaded Costa Rica from Nicaraguan territory. This, said the communiqué, is an outright invasion approved and sanctioned by General Anastasio Somoza, the late Nicaraguan Chief of State.

Almost simultaneously from Nicaragua came this message: Costa Ricans, anxious to be rid of their president, José Figueres, have revolted and taken over the city of Villa Quesada. In the capital thousands are clamoring for the resignation of Figueres.

On the one hand—war; on the other—revolution.

If it were the former, the OAS could immediately take a hand under the Charter proviso that calls for common action on the part of member states in event of aggression. On the other hand, if it were a bona fide revolt the OAS would have no power to act, since the trouble would be strictly an internal affair.

Costa Rica's President Figueres immediately requested the OAS to make an on-the-spot investigation of the "invasion."

Quick to take advantage of technicalities involved, Somoza demanded an immediate OAS inspection of Nicaraguan soil to see that not a single soldier had moved into Costa Rica.

Actually, though the invading force was organized and launched from Nicaragua, it was made up of Costa Ricans. Paradoxically, it was both a revolt and an invasion—thus confronting the OAS with a pretty dilemma. Deteriorating rapidly, the military situation demanded quick and drastic expedients, but clearly justifiable grounds were lacking. In the face of this imponderable, a new "weapon" was brought resourcefully into play by Dr. José A. Mora, then chairman of the OAS Council. He directed the glare of publicity on the situation to expose the mummery.

The final solution lay in a show of military strength. And it was Figueres who, perhaps inadvertently, paved the way by demanding that the OAS furnish him with fighter planes to counter the rebels' main tactical strength. The United States immediately made available to the OAS a group of P-51 fighters and requested permission of General Somoza for these planes to fly over Nicaraguan territory, and if necessary to land there, en route to Costa Rica. Somoza acquiesced immediately.

The abortive "invasion-revolution" of Costa Rica came to an end. The OAS succeeded in striking a balance, and a formula had been found for reconciling the principles of non-intervention and collective action to maintain international peace.

GROWING CATALOGUE. The maintenance of harmonious relations among the American States, and their protection from aggression from abroad, certainly are the primary objectives of the OAS. But this watch-

A Catalogue of services benefits the Americas . . .

dog role is merely the beginning, not the end. Essentially, the OAS is confronted on a continuing basis with numerous other problems equally as acute, if not as dramatic. There are the basic issues of economic development, where success is marked by notable improvements in living standards. There is meaningful work being carried on in the fields of agriculture, housing, health, education, travel facilities, trade, child welfare and interchange of art and music.

The catalogue of OAS activities is myriad; the accomplishments over the past several years are self-defining.

Under the direction of its Inter-American Economic and Social Council, the OAS in 1950 launched a program of technical cooperation. Each year OAS centers train and turn out technicians schooled in new techniques of farming, teaching, nursing and housing. These people then return to their various countries to train others and to supervise projects and activities in their respective fields.

Tucked away in the tropical forests of Costa Rica, near Turrialba, is what is often termed "the most diversified farm in the world." It is operated by the OAS' Inter-American Institute of Agricultural Sciences. Here is no ordinary farm; but a farm, laboratory and college combined. Serious, sun-browned students of agriculture from every one of the Americas swarm through this vast outdoor classroom, eagerly absorbing the results of the farm's experimental work, studying its methods, learning the latest developments in agriculture. Endowed with their learnings they return at the rate of 500 a year to their respective countries, where they begin the arduous task of replacing outmoded agricultural practices with the latest scientific methods that result in vastly increased agricultural production. The Institute aids member countries with studies and advisory services, and conducts research in production of native crops.

REAL YARDSTICKS. Until 1951, no agency existed to control on an International scale the outbreaks of foot-and-mouth disease which ravaged the herds of Mexico in the late 40's and remained a recurrent scourge throughout many Latin American countries. Now the OAS maintains in Brazil the Pan American Aftosa Center, which makes an important contribution to the Hemisphere's meat supply through research and the preparation of vaccines, and through diagnostic and consultant services designed to rid the Americas of the dread livestock disease.

In answer to sub-standard housing, estimated at 2 million homes throughout the Americas, the OAS maintains at Bogotá, Colombia the Inter-American

Housing Center, which yearly trains students from all of the American republics in construction techniques most suitable to conditions prevalent in their countries. OAS specialists in housing and planning have found ways of cutting costs in building houses so that homes can be made available to millions of Americans who otherwise could not afford them. The OAS also encourages cooperative city planning and aids in rebuilding areas stricken by earthquakes and floods.

Another major goal of the OAS is to wipe out illiteracy and bring about free and universal education. To help solve this problem, the Organization operates at Rubio, Venezuela the Inter-American Rural Normal School, which since 1954 has been training teachers to organize normal schools in the rural areas of their respective countries. A Fundamental Education Center is established at Patzcuaro, Mexico to prepare teachers for adult education programs.

In the field of public health, the OAS in 1951 held in Guatemala City its first workshop to teach communicable disease nursing to trainees from Mexico, Central America and the Caribbean area. This and numerous more recent workshops were sponsored and conducted by the Pan American Sanitary Bureau, which also serves as the regional agency in this Hemisphere for the World Health Organization. Through the Sanitary Bureau the 21 republics cooperate in preventive measures to control disease

and epidemics, in demonstrations of methods of meeting health problems, in advisory services to governments in improving health services, and in campaigns to stamp out existing disease. This cooperation has led to a steady rise in the health standards of all the republics.

Near Rio de Janeiro in 1954, the OAS set up the Inter-American Training Center for the Evaluation of Natural Resources as a project of the Pan American Institute of Geography and History. The Center gives training in this field to meet the specific needs of each country, as determined by a survey of existing data on natural resources in the American republics, made in 1952.

FOR THE INDIVIDUAL. To get a better idea of the scope and pace at which the OAS is currently driving ahead toward a more secure and prosperous future for Americans, it might be interesting at this point to take a look at its activities for the past year. It is seen that during 1956 the OAS Council of Ambassadors approved new statutes of the Inter-American Peace Committee, to bring up-to-date an efficient and informal dispute-settling machinery of the Hemisphere. Also during the year, the unprecedented Panama meeting of Presidents produced an historic declaration outlining ideas which unify the member countries of the OAS; and at the initiative of President Eisenhower, called for a special committee of presidential representatives to prepare

. . . Preventing disease through field work





Secretary José A. Mora

"concrete recommendations for making our Organization of American States a more effective instrument in those fields of cooperative effort that affect the welfare of the individual."

A Travel Conference was held in Costa Rica and pushed completion of the Pan American Highway system. Also in Costa Rica, a Port and Harbor Conference evaluated port facilities throughout the 21 republics, and produced a plan for expansion and modernization to keep apace of increasing inter-American trade. At Bogotá, housing experts met to cope with hemispheric housing problems. In Peru, the republics' education ministers sought solution of common problems through joint action, in their field. The Inter-American Commission of Women met in the Dominican Republic and planned the extension of political and civil rights for women, and the protection of children. And in a series of meetings at Washington, statistical experts laid a basis for the agricultural, industrial, trade and population census to be held in 1960.

BLUEPRINT FOR FUTURE. These were among the more significant actions of OAS agencies during the past year. Looking ahead to the 1957-58 Pan American year schedule, it is noted that late in April, the Presidential Representatives held their final meeting in Washington to chart the future course of cooperative progress in the Americas. High on the list of items for action by these personal delegates of the various chief executives, was the peaceful use of atomic energy to speed development of member countries. The Committee also was expected to give the OAS directives for coping with the following problems: the promotion of inter-American trade, eradication of principal diseases, reduction of illiteracy, stimulation of agricultural and industrial development, intensification of technical cooperation, low-cost



Home of the Organization of American States, the Pan American Union Building in Washington

housing problems, and completion of the inter-American highway system. It is too early at this point to assess the results of the Presidential Representatives' meeting, but it is a step toward a bright future.

Sharing the spotlight of OAS activities for 1957 is an Economic Conference to be held at Buenos Aires in August. Its purpose: to evaluate existing trade relations in the Hemisphere. It is hoped that this meeting may produce an overall economic

agreement for the Americas.

OAS activities and achievements in the past and plans for the future attest to the success of Pan American Union and cooperation. The Organization of American States is a living, breathing, working example of how 340-million people under 21 autonomous governments can live and work together in friendship and peace for the betterment of their well-being . . . a case in point for the rest of the world.

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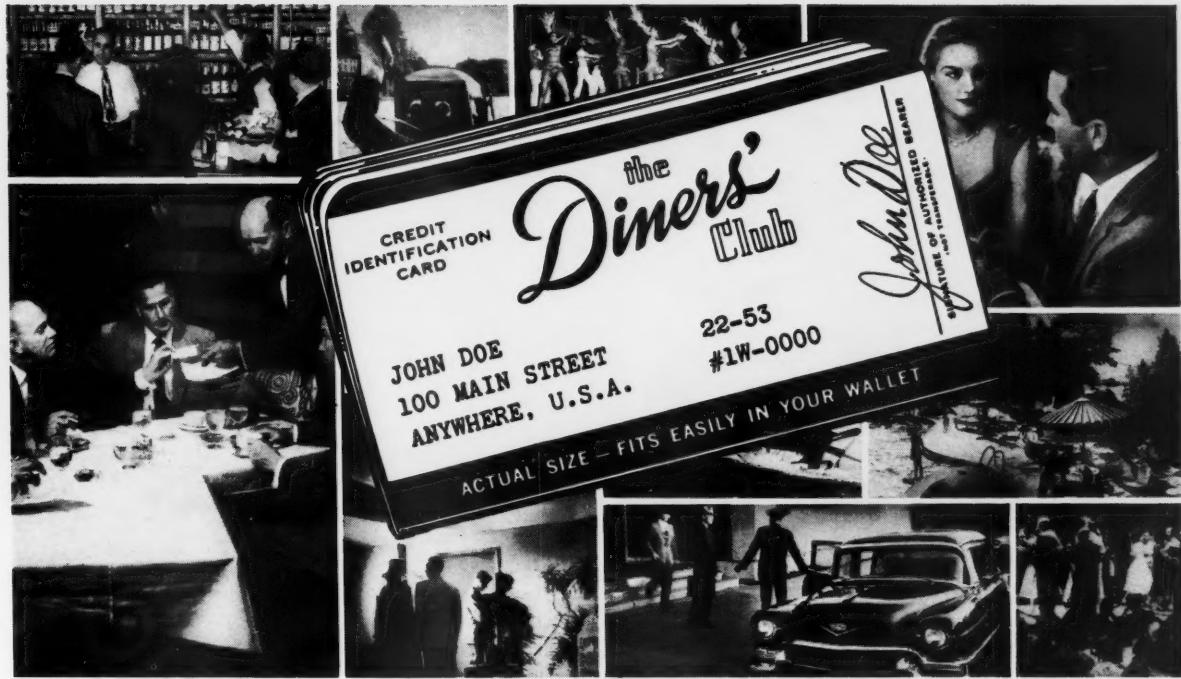
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TIDE OF VENGEANCE...



This year Argentina commemorates the centenary of the death of William Brown. The government officially declared a holiday for the entire nation. Ceremonies honoring Brown's memory were held in all the major cities. Climaxing these events an Irish delegation joined President Aramburu in reviewing a parade of Argentina's armed forces.

Silently the men made their way through the streets of Buenos Aires. It was not yet dawn, and the pale, diaphanous swirls of mist that eddied up from the Rio de la Plata conspired to muffle the sound of their movement. Sailors all, they were putting to sea again on the morning tide.

Nothing seemed to be out of the ordinary. They had no more than the usual arms and dirks that seamen carry. Their clothes were much like those found in any slop chest, although their well-heeled Belfast boots set them apart somewhat from the sailors of this part of the world. On closer glance it could have been seen that there was not a true *porteño* in the lot. Still, this would not have occasioned any comment especially.

The peculiar note was their air of purposeful silence, not furtive exactly but still . . . Of course it could have been the great quantities of salted beef and grog consumed the night before that dulled them. Even so, sailors about to move out on a coastal trade schooner, or on a homeward-bound frigate, more often than not bid a boisterous farewell to the port they take leave of.

Even more odd was the fact that

they did not board a racy schooner or a gallant bark, but rather two miserable-looking fishing smacks that could as well have been beached as not. Surely 17 able-bodied seamen could not be that down on their luck.

For Captain William Brown these poor craft were a far cry from his proud *Industria*, so recently confiscated by those elegantly lisping port officials of the Viceroyalty of La Plata. He cursed fervently as he thought of their high-handedness. Not only had they filched his cargo through legal trickery, but they had taken his ship as well . . . his *Industria*, whose maiden voyage had held such promise. They'd rue that day, he now thought grimly; with the help of these hearties who had no love for Spanish officialdom, he'd have her back or the pay for her in their own coin.

These were tumultuous times for Buenos Aires, indeed for all of Latin America existing under the absentee landlordism of Spain. Only a year before, in 1810, news of the final removal of Bourbon resistance forces and the seating of Joseph Bonaparte on the throne of Spain incited a handful of creoles in an open town meeting to

assemble for the purpose of creating a provisional junta for the entire region of La Plata in the name of the deposed Ferdinand VII. This defiant pronouncement of Buenos Aires—severing her bonds with Bonaparte's Spain—was but the first step toward the ultimate freedom of the area of La Plata. Five bitter battle-torn years were yet between these patriots and their longed-for day of liberation. But had not that small irate band in Buenos Aires spoken when it did, Argentina's Ninth of July, 1816, might well have been considerably delayed. There was in 1810 more than one thorn in the side of Buenos Aires.

During most of the colonial period Buenos Aires, and for that matter the entire area of the Rio de la Plata, was looked upon as the stepchild of the New World. In actuality, Buenos Aires was a political and economic dependent of Lima, some 3000 miles over the Andes. The interior cities of La Plata suffered a far milder inconvenience than Buenos Aires under the Viceroyalty of Lima if for no other reason than their proximity to this great commercial outlet and seat of government. However, Buenos Aires'

B



main economic grievance, the blocking of her port, had become intolerable. This meant that until 1776 and the establishment of the Vice-royalty of La Plata the city's populace was forced to buy and sell through Lima. Journey by mule train on this arduous route overland across the *altiplano* took three months. After almost three centuries of such economic malaise the tempers of the *porteños*, the port dwellers, were justifiably thin.

But the Viceroyalty of La Plata was by no means the answer to the *porteños'* prayers for a free port. The union formed because of the Portuguese threat in the territory included the area now divided among Argentina, Uruguay, Paraguay and Bolivia (then Upper Peru), with the seat of the viceroyal administration at Buenos Aires. In 1777, the imminent threat was removed when Spain made peace with Portugal. At this time Buenos Aires was opened for direct trade with Spain and other Spanish colonies. The sky was clearing.

By the turn of the century the city had a new mien—paved streets, plentiful new buildings, a steadily rising population—that bore an air of prosperity. This taste of good times, along with a healthy commercial appetite, caused the *porteños* to think more carefully about their future. The conclusion, if a bit brutal, was a businesslike one ... it was the wealth of England, not the pittance of impoverished Spain, that had stuffed the pockets of the port dwellers. At this point contraband trade, that had of course been conducted for centuries, began to flourish. At the same time the demand for free trade grew and certain petitions to the Crown were realized with agonizing slowness. The English, Portuguese, Dutch and other freebooters made life considerably easier for the *porteños*—and also for enterprising foreigners like William Brown who had a good ship, a little daring, and a lot of courage.

Small craft plied endlessly up and down the coast conducting this very lucrative, illegitimate trade practice. Dodging the officers of the Crown at every turn, gliding along the margins of the continent without the burden of proper licensing, inspections and taxes ... even letters of marque. This abundant and clandestine trade brought larger quantities and often cheaper goods to the colonists, while greedy customs officials who turned their heads at the right moment gained a largess of British shillings. The volume of "black market" operations will never be known exactly. But, surely it equalled, if not exceeded, legal trade on occasion. Paradoxically, the flow of silver brought into Latin America through legal trade arteries stimulated the incoming tide of illegal marketing.

So such products as sugar, cotton, wool, hides, precious minerals and cocoa moved eastward in furtive exchange for continental fashions, luxury items, slaves and brandy ... to satisfy the nouveau riche colonist's flair for highlife. There is no doubt but that this risky game satiated in the same manner an even greater passion of many a *porteño*—his grand paramour, adventure.

Late afternoon of the second day out found Captain Brown restless but no less determined in his quest for his confiscated *Industria*, or for a reasonable facsimile. The waiting was nerve-racking ... sapping as it did the energy of the crew's initial enthusiasm. The men lolled about the decks. Some of the crew, less trusting of the lookout's eye, posted themselves at random vantage points and strained in the sun's glare for sight of a golden banner atop the topgallant-masthead of a Spanish schooner. They had in the course of the voyage south and east encountered a half-dozen ships, but none had met the captain's approval. And so they pursued their course along the coast, feigning the role of fishermen. This was an easy enough part to play, for they fished for the mess anyway. A few extra bonito and red snapper stowed away would beguile the inspecting eye of a patrolling Royalist corvette. All in all, a good mess for the first night out of port; fish with fried p'antains, yams and biscuits. And a ration of rum for all hands, with a bright French claret for the two skippers.

As the sun dipped lower the weather began to blow up a bit. Brown sat below, smoking silently. Across from him his first mate Doolan imitated his anxious puffing. The two men were about the same age; Brown, however, at 34 years of age had the more mature visage of the two: cool, arresting brown eyes, a heavy, almost beefy jaw, a strong slightly furrowed brow, and a hawk-like nose that he had inherited from his Irish father along with an agile temper. Brown's gaze followed a trail of smoke above Doolan's white straw hat. (Many of the men had brought them aboard tucked in their seabags with leather sandals; the two articles forming the main of their fisherman disguises.) Brown wondered at his immediate trust of this man opposite him—for Doolan's friendship was but four days old, having been struck in a *cantina* near the dock while Brown and his partner William White signed on a crew to avenge and compensate them for their loss in the confiscated *Industria*. Truly they had been lucky. After combing the warves they had come up with 15 capable seamen, all Scotsmen, Englishmen, or Irish-born hands like Brown himself, with

the exception of White who was born in the United States.

Now they plied their way thirsting for action, chafing at the inactivity. The opportunity came suddenly, as these things do. In spite of the crews' careful scrutiny of the horizon, it was the watch, after all, who first spied the masts and sheets of the oncoming cruiser. The word spread rapidly. In short order Captain Brown had his telescope fixed squarely on her. Quickly and expertly he scanned her, numbering the gunports to weigh her strength, and the set of her sails and way-of-going to calculate her seamanship. Satisfied, he closed his glass and clipped out his orders to the waiting mate. All hands but the deck watch were ordered into concealment. A signal was made to Captain White, who was underway close by, to come under the lee of the cruiser.

To all appearances she was manned with only a skeleton crew. Her captain presented himself at the rail. With mild disdain he hailed them in the name of the Crown. Doolan responded slowly, repeating Brown's words cautiously. By the time he had completed his recital both boats were well under the muzzles of the cruiser's guns. They drifted for a moment, quiet and tense; the men crouched under the rails awaiting Captain Brown's command. It came, and with it violent action.

Grappling hooks were flung with deadly accuracy securing themselves to the cruiser. Then the men swarmed aboard, piling over the rail, swinging across on trailing lines. On they came with pistols belching and cutlasses flying, caught up in the fever of the battle. The air was almost instantly acrid with gunsmoke; a moment later the scuppers flowed red with blood. Brown and his men wreaked their vengeance on the Spanish Crown.

In only a few minutes it was over; the terrible fury was halted as the cruiser's men capitulated, to be disarmed and secured below. For them impressment or death was certain. But for the victors there was much in store. Little did Captain Brown know that he would be hailed a hero in Buenos Aires, and that command of an invasion fleet with rank of Commodore in General Alvear's insurgent government would soon be his. The liberation of Montevideo and all of Uruguay would follow, and a long and brilliant career with recognition as the founder of the Argentine Navy.

But for the moment this lay still in the future. Enough now to know that he had a ship once more. A proud new *Industria II* escorted by two fishing craft was getting underway, carrying its new skipper, an Irish-born American, to Buenos Aires and history.

LA PAZ

Capital in the Clouds...



La Paz, at an altitude of 12,400 feet, crawls precariously up the sides of the gorge of the La Paz River. The narrow valley gives the city dubious shelter from the cold winds that scour the *altiplano*, a great plain overlooking the city from the west. Standing at the lip of this gorge, some 1000 feet above the city, the visitor has a true bird's-eye view as La Paz tumbles away before him in a mass of red roofs

cut by the meandering lines of streets. Opposite this vantage point, the gorge rises to mix with the so-called *Cordillera Real* of the Andes, an immensely long line of sharply outlined mountains, dominated by the shimmering peaks of snow-covered Illimani, which stands like a sentinel over the city.

La Paz rests securely in a green well-like pocket in the Andes—circumscribed by impenetrable walls

of barren rock. From the Prado, the attractive grand boulevard in the center of town, the panorama of this citadel of a city and surrounding band of Andean giants is complete . . . and capped by a vast Mediterranean blue sky. If for a moment there was a feeling of confinement, now that response is replaced by a mounting awareness of space . . . of crystal clear air in which every build-

ing glistens as if scrubbed clean by the bright sunlight.

The Prado is part of a series of streets, about as broad as Fifth Avenue, which cut a wide channel through the center of La Paz. Each one is linked to the other by a plaza. Avenida 16 de Julio, the proper name of the Prado, runs from the Plaza Venezuela, with its triumphant statue of Simón Bolívar, to the Plaza Franz Tamayo, which boasts a statue of Sucre, another great soldier of the Wars of Independence. From the Plaza Venezuela, Avenida Mariscal Santa Cruz leads to the Plaza San Francisco with its colonial church and monastery. The rest of the city gets along with narrow and cobbled streets, the sidewalks of which are barely wide enough to accommodate two people. In the poorer quarters the cobbles become stones and dirt, which turn to mud when the rare showers come.

A RAPID LOPE. There is no true level in La Paz. In every direction, the visitor's eye must wander restlessly seeking a horizontal on which to rest . . . in vain. To the north the city rises gradually and then abruptly upward; it is in this section that the poor live. To the south it slopes rapidly to the *barrios* of Sopocachi and Obrajes where the residences of the well-to-do show every conceivable taste in architecture. Most of the foreign residents live here. While this lack of normal levelness may disconcert the stranger, it seems to stimulate the *paceño*, who strides uphill and down with surprising vigor. In fact, downhill pedestrian traffic is a danger to the unwary: long-time residents fall into a rapid lopé on the steep and slippery walks which makes for hazardous collisions.

On the Prado, the dominant building is the recently opened Hotel Copacabana, a nine-story edifice built incongruously in the style of a tropical hotel. It illustrates one of the basic problems of La Paz—the recurrent shortages of vital materials and supplies which go into the continuing function of an urban center.

When opened for business the hotel was still unfurnished. On the ground floor patrons entered amidst the dust and noise created by workers busily completing a beauty shop. Heavy glass doors hung virtually unusable; the hydraulic hinges lacked necessary parts for which import licenses had not even been obtained. The dining room boasted snowy linen-covered tables, the finest china and crystal, and an impressive many-paged menu listing dishes drawn from many national cuisines. But the vision conjured up was soon dispelled by the unhappy waiter who apologetically recited the



Downhill streets . . . A pedestrian shoot-the-chule



In modern La Paz . . . Broad avenues . . .

few available entrees—a small fraction of the actual menu—for food also is scarce. Throughout all other departments of the hotel shortages were evident. The bar could supply but one brand of cigarettes; only one tiny electric stove was provided to cut the bone-chilling cold of each bedroom; and the bellhops wore their ordinary suits as the proposed uniforms had not yet materialized.

SHUTTERS & SHORTAGES. The difficulties in which the Copacabana finds itself extend to the entire city and are partly traceable to the revolution of April, 1952, which brought the party of the Nationalist Revolutionary Movement (MNR) to power. The MNR projected a scheme of social and economic reform, including the nationalization of the tin mines and land redistribution, which abruptly changed Bolivian norms.

This state of affairs has left its mark on La Paz. Government and private buildings are pock-marked by bullet holes, graphic reminders of the bloody street fighting in '52. When crowds gather on the Prado, even for such a harmless diversion as watching fireworks on holidays, the stores and hotels along the avenue pull down their corrugated iron shutters as a matter of habit. Who can foresee the

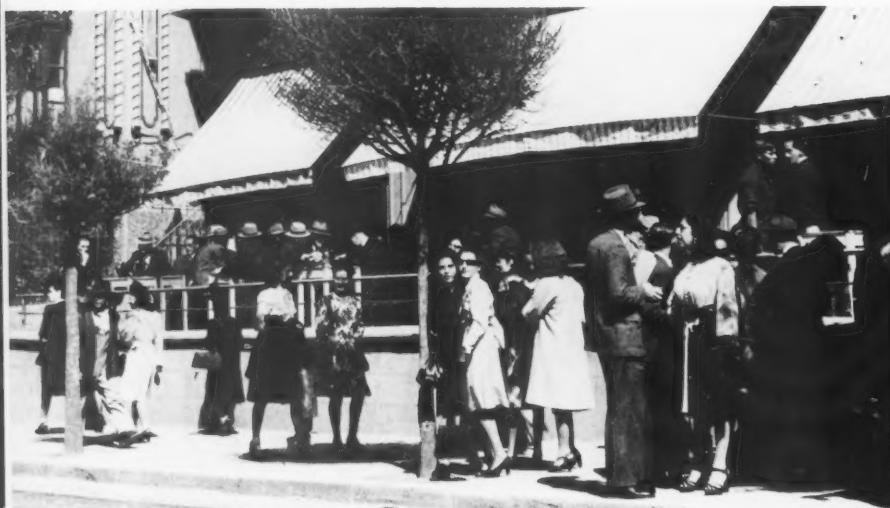
temper of a crowd . . .

A great drop in exports, especially tin, and a decrease in agricultural production led to a galloping inflation. Last year the exchange rate sank to the incredible level of 12,000 *bolivianos* to one dollar. Everywhere shortages exist, especially in consumer goods. The average *paceño* has to queue up for meat, rice, matches, cigarettes and other necessities. These queues are a familiar feature of city life, and position in them is defended with acrimony and insult, which goes oddly with the patience needed to wait out the long hours before reaching the sales counter. Cigarettes particularly are scarce. One way to endear yourself to the hearts of the *paceños* is to offer cigarettes liberally at any gathering.

This is a curious state of affairs for a nation's actual, if not official, capital. (Sucre, deep in the mountains to the south, is the legal seat of government but hasn't functioned as such for several centuries.) Most *paceños* will point out that La Paz is the administrative center of a poor country even in the best of times; that other regions are hard put to supply both their own local needs and the demands of the capital. It is said that La Paz would literally starve to death in a



Government House—bearing battle scars of a dozen revolutions



On the Prado—politics and promenade

few weeks if supplies from the hinterlands were cut off.

EASY RAPPORT. First-time visitors tend to be disappointed in the lack of opulence and usual tourist recreations. But the charm of La Paz, remote in its Andean fastness, is just that one doesn't have to work his way through a collection of enterprises all prepared to provide him with a "home away from home." Instead, once on the streets of the city, the tourist has put himself in direct contact with local life and in a very short time a definite rapport is established between this foreigner and the *paceños*. It must amuse the *paceños* to see these strangers simulating his actions—strolling on the Prado, eating his favorite dishes at "his" restaurant, sipping a drink at *paceño*-frequented bars.

Walking is the best way to see the life of this mountain city, unless the visitor cares to trust his safety to the ancient, rattling taxis, most of which

seem to have been resurrected from a forgotten junkyard. They jerk painfully up hills and the passenger strains with the tired motor until the crest is reached. On foot, however, the visitor will be fascinated by the sights about him—though breathless from overexertion in the thin, dry air.

CHAU, CHAUCITO. Approximately nine-tenths of the Bolivian populace is *mestizo* (*cholo*) and Indian. The "cholo" who lives in the city, a mixture of Indian and Spanish for five generations, is a typical city fellow, very like the Mexican in his customs and dress. The Spanish that he speaks is forceful and clear, with unique idioms particularly in the way of diminutives. Here, for example, the everyday greeting and farewell is *chau*—but the *mestizo* and the *cholito* say *chaucito*. *Auritita* means in the same way "right now" or *ahora mismo*. It is not unusual to hear the most purely romantic expressions from young men quite acclimated to the new era of

rock and roll. As in Chile the *cueca* is still the popular dance, though North American dance steps are being introduced steadily into Bolivia.

The Indian gives La Paz a special distinction. The presence of this descendant of the fabled Inca makes the city a treasure trove for the tourist with a yen for photographing exotic subjects. At all hours the streets are peppered with dark skinned, brightly dressed women, curiously decked out in brown or black derby hats. The streets dotted with their brilliant skirts resemble a bold palette with hues of gold, magenta, blue, orange and red.

DERBIES, NOT BONNETS. Constantly asserting themselves are the many histories of this clime; patterns and customs rooted in the epoch of the Inca empire which once dominated the Andes from Colombia to Argentina. Picture a man dressed in brown homespun trousers and jacket, hurrying along under a load of wood. His wife—trotting along slightly behind with perhaps an even larger bundle, including a baby slung in with a bushel of oranges—wears a skirt, blouse and shawl which were introduced from Spain and are still worn by peasants there. Her bizarre derby hat is a counterpart of one worn by women in southern Portugal. Inevitably these scattered remnants of by-gone days recall the annals of the *conquistadores*, who entered Bolivia through the gateway of Peru and brought European ways and ideas to the Andes.

In the northern elevated section of the city is an awesome sight—the Indian slum where thousands manage to survive living in dark, airless and heatless homes of adobe brick topped with the characteristic red tiles. These miserable Indians represent the majority of La Paz, totaling some 60 percent of the city's population.

It is not, however, the same Indian commonly encountered in the *avenidas*. The up-to-date *paceño* eschews the aboriginal and follows a way of life patterned after Western, and particularly United States ideas. Most of these modern *paceños* belong to an ever-growing middle class comprising government workers and the white-collar rank-and-file of the offices, shops, and hotels.

But the visitor is more apt to make his social contacts among the wealthier Bolivians—members of a traditional and cosmopolitan upper class, and the resident foreigners.

There is much to be learned of course by quitting the Prado and taking coffee or fruit juice in one of the many cafes patronized by the average *paceño*. Politics is usually the dominant topic of conversation; the pres-

ent government and its policies are volubly scored or upheld in a manner that belies the sober dress of the participants.

It is a lucky tourist who makes friends with local residents, for an invitation to a *paceño* home usually means unfettered hospitality—beer, music, dancing and the inevitable game of poker dice, or some variation, generally referred to as *chachos*. Such a visit will clarify many things for a stranger in this mountain land—the absence of good restaurants, the lack of night life and the emptiness of the streets after ten in the evening. The *paceño* is a homebody and most of his social life centers around his home and family.

ALWAYS CHILIES. The *paceño* delights in his native homecooked cuisine. Chili peppers, red or green, season everything from soup to sauce. Various mountain herbs add a distinguishing touch to everyday dishes in La Paz. To begin the meal often is the famous *empanada salteña*, a kind of miniature meat pie stuffed with chunks of beef or chicken. Rice is served with most of the main dishes and the meal is usually ended with fresh fruit which is both abundant and varied. Oranges, bananas, mandarins . . . all can be had in La Paz. And with the exception of watermelons, most every other member of the melon family. These are brought in from the interior valleys or from Chile.

During the carnival season, and especially on Ash Wednesday, the national dish served is a *puchero*, or stew, filled with meat and numerous varieties of cooked fruit. The traditional cocktail of the area is made of orange juice and the well-known *pisco*; and of course, there is the standard *pisco sour*.

In the few better restaurants, the Daiquiri and the Milano, empty tables are the rule, although the Daiquiri

(which, incidentally, serves choice cuts of beef at modest prices when available) is apt to be sporadically crowded at dinner time. Both of these places are on the Prado and within the normal range of the tourist. In the less frequently visited sections of the city there are several small establishments which cater to local family trade but rarely see foreigners. Here is found robust fare indeed; mouth-burning appetizers, richly spiced goat and mutton, all washed down with great quantities of yellow *chicha*, the maize beer of the Andes. Patrons sit around bare tables in dimly lit rooms, bundled up in overcoats and scarves to guard against the omnipresent cold.

PAYOUT IN BEER. On the weekends *paceños* of the middle class congregate in the valleys around the city to enjoy their *parrilladas* or barbecues. They play a game on these outings called *sapo*—which consists of pitching or throwing at 15 paces a little lead disc into the two-inch-in-diameter mouth of a metal frog. Originally *sapo* was played by the Incas on a slanted dirt alley. The *paceños* insist that the frog, which now is cast in bronze or some other lesser metal, was of solid gold. Though the game has spread to Peru and parts of Argentina it enjoys far greater popularity in Bolivia. The number of families on these barbecues grows as the day goes on. By late evening the happy *paceños* begin to retreat to the city in buses, cars and on foot. True Spaniards, there are always some among them singing and playing the guitar. In the firm old-world tradition, groups of young men form to serenade their *novias* on concertinas as well as guitars . . . in voices that at 21 years of age strongly resemble that of Elvis Presley, who has made quite a mark among the Bolivian bobbysoxers.

But it is seldom that the tourist has the chance to share in these native

The Indian market . . . so gaudy, noisy and colorful



Heritage from Portugal—the ubiquitous derbied woman

pastimes. The fact is that the poor tourist will have a hard time finding commercial diversions in the domestic atmosphere of La Paz. The tourist circuit is made up of the Hotel Copacabana and the Grand Sucre Palace, an older hostelry with a popular bar presided over by Walter, a casually polylingual man. The restaurants most sought after are on the Prado, as are several of the larger shops with silver, gold and wood articles for sale. The silver is cheap but tarnishes quickly; the very best and most practical buy is the graceful wooden llama. In this same vicinity is the National Museum with an interesting collection of pre-Spanish antiquities, mostly drawn from the ruins of Tiahuanaco near the shores of Lake Titicaca or from ruins on several islands in the lake itself. Across from the Copacabana is the Ministry of Mines whose southern wall is emblazoned with a grim mural depicting the conflict between workers and mine owners. It has much of the quality of the early frescoes of the Mexican, Diego Rivera.

HAUNTING MELODIES. Across the river which divides the city is the Plaza Murillo where are to be found the huge cathedral, and the presidential and legislative palaces. A few blocks away on Avenida Camacho is the Indian market . . . so gaudy, noisy and colorful. Between Murillo and the Prado is the aggregate of the business section . . . banks, travel agencies, money exchange houses, post office and the United States Embassy. In general, tourist activity is confined to this area. But for those in Bolivia on July 16—the Day of La Paz, or August 6—the Fiesta de la Raza, a real treat is in store. On these two holidays groups of Indians from all parts of the republic assemble in the National Stadium to

dance and sing. The spectacles are magnificent in their ornateness; the music, haunting and weird.

La Paz is the usual base of operations for short trips to other parts of the country. To motor across the *altiplano*—the great plateau measuring 500 by 80 miles—is an experience in itself. And on the other side, the monumental ruins of Tiahuanaco . . . Alternately, the drive across the barrier of the *Cordillera* is one to remember, climaxed by a dizzy plunge downward into the evergreen valleys of its eastern slopes, collectively called the *yungas*. Travel in these lower altitudes is always a welcome change even to the vacationing *paceño*.

The main business of La Paz is government. The MNR is busy administering its large-scale program of economic and social reform designed to raise the living standard of all Bolivianos, to encourage better exports and make the nation self-sufficient in basic commodities. The greater part of the white-collar workers are employed by government ministries and bureaus.

PRADO BLACKOUT. There is industry as well, but in spite of the fact that La Paz contains some 70 percent of the nation's total industry, it does not loom large in the local life. The most important plant is that of the Bolivian Power Company whose 35,000 kilowatt-capacity is barely enough to satisfy current needs. In fact, power cuts and rationing are the order of the day, and it is not surprising to see the Prado completely dark several nights a week during the dry season (March through September). There are also two cotton and two woolen mills, and ten weaving and knitting factories. The quality of their products, however, is low, which has created a demand for imported goods. Smaller enterprises produce flour, soap, candles, leather and paper goods, furniture, alcohol, beer, mosaics, glass, candy, macaroni and bottled mineral waters.

Matches are a state monopoly and the most impressive construction in the city is the new match factory. It has received special attention from the government and is going up rapidly while work on other commercial buildings languishes. The workers' homes built near the site are substantial and attractive, in sharp contrast to the usual laborers' dwellings. Until this is finished, however, the smoker does better to rely on a cigarette lighter (excellent Japanese imitations of Ronsons are available for 25 cents) and most hotels, bars and restaurants keep gasoline on hand to fuel them.

Cottage industry makes a small showing in silver and gold jewelry

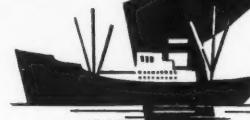
and woodcarvings, but there is little organization of this activity so that its contribution to the national income is negligible.

THE BIG "IF". Indeed, everything is on a limited scale, and to the *paceño* the present is decidedly uncomfortable. But he is optimistic about the future. He will point out that Bolivia's mineral resources are a potential source of great wealth if properly exploited and that very soon untapped petroleum reserves will supply power for industrial expansion.

If all the current plans materialize—and one *paceño* ironically labeled the capital the "city of the great If"—the tempo of business activity will pick up; the city will import the vast variety of goods it longs to consume and accommodations and entertainments for the tourist will be improved. Until such a time, however, La Paz will remain a provincial city, sorely deficient in the expected but rich in the unexpected details of local life still directly accessible to the visitor.

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Two Storage Facilities	\$ 500,000.00
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Replacement of Shops and Repair Facilities	80,000.00
Locomotive Cranes and other such equipment	500,000.00
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HIGHLIGHTS OF THE BOLIVIAN PETROLEUM CODE

(Decree-Law 04210, October 26, 1955)

The Petroleum Code is intended to regulate the relationships arising between the State and private parties in the petroleum industry. Explorations in the national territory for petroleum, asphalt, natural gas and other hydrocarbons, as well as the exploitation of these deposits, and their refining and transportation shall be construed in the public interest, and therefore governed by this Code. (Art. 20)

Concessions shall be granted at the government's discretion for exploration and exploitation, with inherent rights of manufacturing or refining, storage, and transportation. (Arts. 31, 85, 98, 118, 138 and ff, 141, 143c, and 157)

Acquisition of a concession does not convey ownership of the "deposits but only a real right (*derecho real*) to explore, develop, refine and/or transport the hydrocarbons during a limited time." This right can be mortgaged. (Art. 6)

The State may participate directly in the development of the petroleum through its agency *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB), which, however, does not purport to create a State monopoly. (Arts. 3 and 20)

Foreign companies may acquire concessions upon establishing their legal capability and financial solvency, registry as a foreign corporation, and designation of an agent domiciled locally with adequate powers to act for the company. (Arts. 3, 11, 16 and 17) Competitive public bidding for concessions is provided when necessary.

Exploratory concessions (minimum units of 12,250 acres) may be granted in single tracts up to 367,500; 980,000; 1,837,500 acres respectively in areas designated by the government as Zones I, II, and III, to aggregate totals of 1,225,000; 3,675,000; and 7,350,000 acres respectively. (Arts. 34, 36, 37 and 38) Further, exploratory concessions are granted for 4 years with no extensions in Zone I, 4 years and one 2-year extension in Zone II, and 6 years and two 3-year extensions in Zone III. (Arts. 68, 69 and 72)

Upon conversion of exploration rights into exploitation operations, the concession's area shall be reduced to approximately half of the original grant with the balance reverting to the nation's reserves.

Exploitation rights are vested for 40 years, during which period the concessionaire has all accessory rights of development, removal, processing and transporting the hydrocarbons found. (Art. 67)

Special procedures govern the granting of particular concessions, such as pipelines, with regard to construction, rate making, priorities, liabilities of concessionaires as common carriers, and rights and duties of third parties whose oil is being carried. (Arts. 31d, 94, 96, et seq.)

Concessions terminate naturally upon expiration of their term, by renunciation of the concessionaire, or by failure to perform minimum work requirements, or to make the minimum required investment; or for failure to pay required taxes. (Arts. 86, 113, 148g, and 150)

Adequate notice is guaranteed prior to forfeiture, and administrative and judicial remedies available to the concessionaire to contest an adverse decision. (Art. 153)

Taxation is scaled on a fixed annual income basis computable only as against 30 percent of net profits, and above.

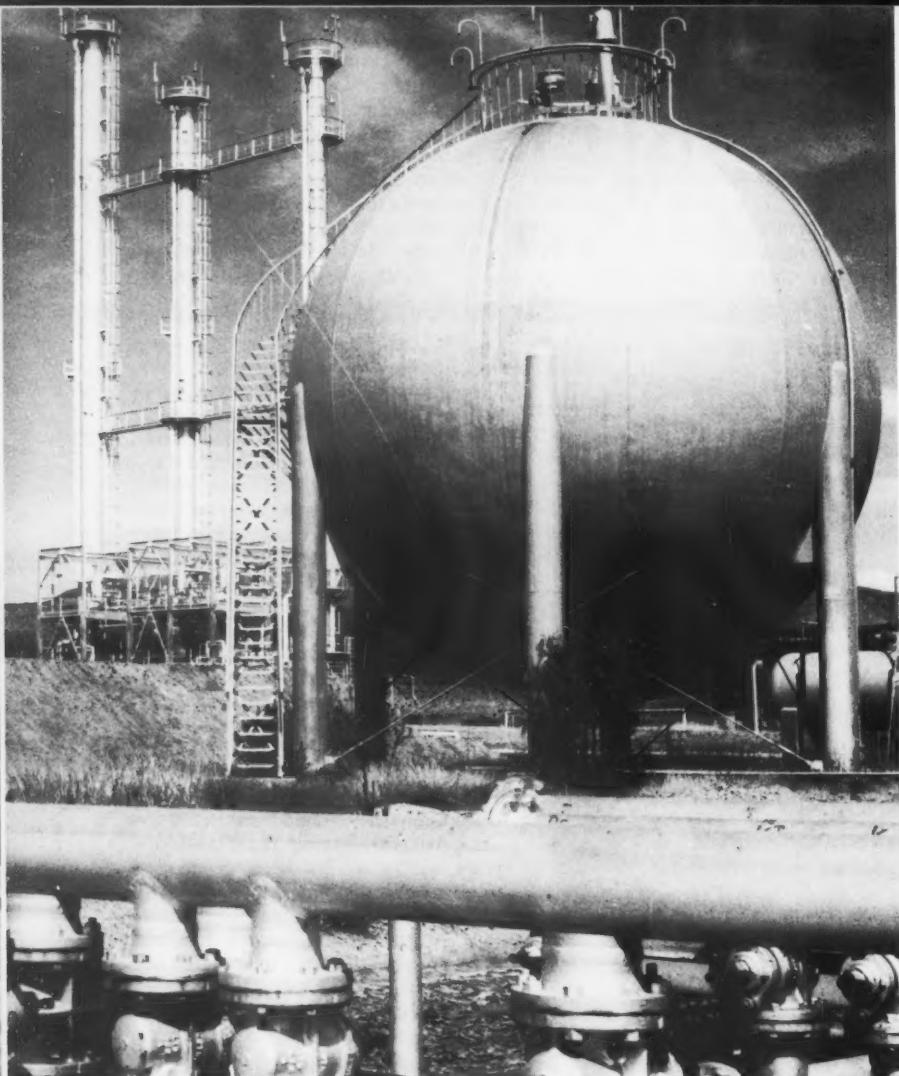
Successful negotiations with Chile early this year for pipeline throughfare rights have provided landlocked Bolivia with a badly needed outlet to the sea for its petroleum exports, and paved the way for continued expansion of the nation's robust but infant petroleum industry. With an eye cocked on measurable yardsticks of progress—the industry's present capability for satisfying domestic needs, and the increasing volume of exports to neighboring countries—enthusiastic supporters predict it may rival mining as the leading industry and foreign exchange earner in the nation's economy.

Certainly the fledgling oil industry has progressed during the past four years, partly at the expense of the mining industry. For example, dollar exchange earned at the mines was plowed into the oil business by government authority. Continuation of this policy, and its extent, may well determine the rate of ascendency of petroleum in the Bolivian economic picture of the future.

Even if the Siles Zuazo administration begins to divert the flow of foreign exchange to other industries in need of financial priming for development, oil's expansion seems assured. The answer to this seeming inconsistency is that foreign private capital is stepping into the picture with meaningful sums. Here too, far-reaching government thinking set the stage with its new Petroleum Code expressed in Decree-Law 04210 of October 26, 1955.

In essence, provisions of this law explicitly set forth the rights, privileges, obligations and liabilities attendant upon private capital, whether foreign or domestic, seeking to explore for and exploit oil and gas reserves in Bolivia. The very detailed exactness of its provisions, particularly as regards protecting the right of concessionaires, has done much to induce the presence of private foreign capital which had been understandably shy since the dark days of expropriation in 1937.

A SLOW START. The Bolivian oil industry has had a spotty history. The



From Cochabamba's refinery, 5850 barrels a day

existence of oil actually was recorded over three hundred years ago. But it was not until the 1920's that the industry began to take form, and only in a somewhat uncertain manner. The first foreign concessions were granted to a group of German industrialists; concessions acquired in 1920 by Richmond Levering & Company. These concessions totaled one million hectares (about 2.45 million acres) situated in the departments of Santa Cruz, Tarija, and Chuquisaca. Two years later these rights were sold to Standard Oil of New Jersey.

For the next 15 years Standard Oil leisurely explored its concessions, spotting a number of fields for exploitation, including today's major producing area at Camiri. The Chaco War in 1935, however, effectively halted further developments.

This internecine struggle between Bolivia and Paraguay raged in and around oil-rich Santa Cruz—the no-

table prize at stake. Understandably, Standard Oil proclaimed its strict neutrality. Nevertheless, despite this non-partisanship the company was made a target for expropriation proceedings by a Bolivian nationalist of German-Italian descent, Dr. Dionisio Foiannini. *Raison d'être* was found ready-made in the allegation that illegal sales of oil had been made by the company across the Argentine border. Expropriation of the firm's holding in Bolivia followed quickly, although final settlement in the payment of \$2 million for the seizure took several years.

The more immediate development was the creation of a state agency—*Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB), headed by Dr. Foiannini—to operate oil concessions as a government monopoly. The same authority vested oil and gas resources in a national reserve subject to exclusive exploration and exploitation by the YPFB.

For the next several years stagnation followed. Production never exceeded 1,000 barrels a day. Exploration virtually ceased. The only notable construction was a pipeline from Cochabamba to Camiri, while operations were scaled to small refineries at either terminal.

CALCULATED RISK However, 1952 and the newly inaugurated administration of Paz Estenssoro ushered in a new day for Bolivia's lethargic oil industry. Groping for an elixir to remedy the nation's badly impoverished economy, the president took a long gamble at the recommendation of the YPFB. He ventured \$2 million of Bolivia's fast-dwindling foreign exchange in a financial transfusion for the nearly defunct oil industry. Much of this went into the purchase and operation of modern drilling rigs. The patient responded eagerly with strong signs of life. By the end of 1953, production had been increased by 60 percent to over 1,600 barrels daily.

Then with a firm eye on the future, exploration was resumed. The year 1953 saw the activation of a geological department in the YPFB, which notably included two foreign geologists on the staff. Within two years, with the staff nearly doubled, a thorough geological exploration of over 579 square miles was completed. The results: discovery of the new Toro structure, which in 1956 produced 182,700 barrels of crude. In that same year, the geological department had eight parties working in the field, with considerable seismic and gravimetric work contracted out to foreign companies. Meanwhile, an aerial survey of 4,439 square miles had been completed, and plans developed for 772 miles of gravimetric and 579 miles of seismic exploration in 1956. Already it had been determined that proven reserves totaled 80 million barrels.

Sparked by this rejuvenated exploration program, exploitation efforts were stepped up measurably. Seventy-three new wells were completed and two new producing sands discovered in this span of three years and a few months, as compared with only 49 wells during the doldrum days of the preceding 13 years.

By the end of 1956, YPFB production had jumped to 9,522 barrels of crude per day, with 75 wells producing and an additional 10 shut-in capacity. The brunt of this came from the Camiri field (8,108 bbls.) but production was rising fast in four other areas: Bermejo—431 bbls., Guairuy—532 (estimated), Sanandita—101, and Toro—350 (estimated).

And keeping pace with this increasingly healthy production, expanded refining facilities reached 11,710 barrels of crude per stream-day

by the close of business in 1956. Cochabamba and Sucre are the two big plants, handling 5,850 and 4,000 barrels respectively each day; Camiri handles a respectable 1,450 barrels a day, and Sanandita is developing, with 410. Plans now are to move part of the Sucre installation to Santa Cruz, better to handle the \$1.8 million export traffic to Brazil, which is anticipated in 1958.

SKYLINE PIPING. Remarkable as this mushrooming growth has been, and further promises to be, the most spectacular side of YPFB's many accomplishments during this rejuvenation has been the construction and maintenance of a cloud-pushing pipeline system. Take the new six-inch line which links the Cochabamba refinery with storage tanks at La Paz and Oruro, 232 miles away. This line carries 8,000 barrels of petroleum products over the Andes, sometimes at a breath-catching 14,000 feet, and saves the country \$1.2 million annually by eliminating tank car shipping on foreign-owned rail lines. Then there is a 331-mile pipeline from Camiri to Cochabamba, a 44-mile branch line to Sucre, and a 160-mile line tying Camiri to Yacuiba on the Argentine border, which has a 4,000-barrel capacity.

Rounding out the whole picture are YPFB-maintained storage facilities at La Paz and Oruro totaling four million gallons, soon to be augmented by plants at Potosi and Santa Cruz with a 1.3-million-gallon capacity. There is also a drum factory at Cochabamba turning out 7,000 drums a day; and a new oil lubricating plant which is expected to satisfy domestic demands for the first time in history, at a saving of \$500,000 annually in foreign exchange.

The best measure of the oil industry's growing strength is its thriving export business. YPFB anticipated that 1956 would see export sales peak the \$6.3 million mark, with Argentina the number one customer at \$4.8 million. Final returns have not been tabulated, but if this sales volume was not realized it was only because Argentina's limited tank car facilities couldn't haul it away fast enough at the Yacuiba end of the pipeline.

This of course but hints at the future. Having reached a level of production in excess of domestic needs—thereby saving the nation a \$6 million import bill—YPFB is shooting for the export market in a big way. Immediate aims are for a 17,000-barrel-a-day production. Reserving 7,000 barrels for local consumption, the remaining 10,000 barrels will be available for export, with Argentina the likeliest customer for nearly half. If YPFB effects this plan, it will be

the first government-owned oil agency in Latin America to develop a substantial oil export business.

DOLLARS & MORALE. Perhaps even more important, however, than a dollars-and-cents measure of the oil industry's accomplishments, is the terrific boost it has given to the Bolivian national morale. After all, this is an industry which in less than four years pulled itself up out of a state of virtual stagnation into a state of thriving prosperity; symbolic, therefore, of what can arise from an impoverished economy.

YPFB of course long ago realized that the financial pump-priming for the petroleum industry's growth would have to come from abroad. Toward this end it championed the drafting of statutory measures which would assure an investment climate attractive to foreign capital. The Petroleum Code of 1955, drafted by the New York firm of Shuster and Davenport through the good offices of the United

States Operations Mission to Bolivia, was the result.

The next step necessary for land-locked Bolivia to make a meaningful bid for international oil business, was to gain an access to the sea. Accordingly, diplomatic negotiations were undertaken with both Chile and Peru for alternate pipeline routes to the west coast. Agreement has come first with Chile. In March of this year a bilateral pact was signed that authorizes construction of a pipeline from Sicasica, near Oruro in Bolivia, to the Chilean port of Arica—a distance of about 216 miles.

PROSPERITY PIPELINE. Government diplomacy having accomplished its end, YPFB then carried its portfolio back to the business community to finance the pipeline project at an estimated cost of \$10.5 million. It was here that the new Petroleum Code began to bear fruit. Gulf Oil Company, the first foreign company to re-enter Bolivia under the code, agreed

Petroleum paraphernalia—a new species in the jungle



to put up \$5 million toward the pipeline's construction; the balance to be supplied by another firm, 70 percent of which is to be repaid in oil products.

Present thinking is in terms of an initial 6,000-barrel-a-day run to the coast for export. But the future foresees a more ambitious program: specifically, a direct tap from Camiri to the coast that would make available for export an estimated potential of 50,000 barrels a day of Bolivian petroleum products. Spelled out in dollars and cents, this would mean over \$4 million a year income for Bolivia. This is what the future may hold.

Is it realizable? Gulf Oil apparently thinks enough of the possibility to have taken an option to finance the \$32 million additional capacity—provided reserves in excess of 200 million barrels are proven. Many observers think this may soon be established.

Meanwhile Gulf is setting a stiff pace for the future. Exploration rights on 33,750 acres of land reserved for YPFB have been granted the company. In addition to this novel arrangement, Gulf has concessions totaling four million acres in other areas of the country thrown open to outside development. In return for four-year exploration rights and 40-year exploitation rights on 1,125,000 acres, Gulf will pay the Bolivian government 11 percent royalty on production and a 19 percent development tax.

Other foreign companies are starting to follow suit; Shell Prospecting Company, Ltd., has applied for extensive exploration concessions, and Richfield Oil was readying a bid in the latter part of 1956. Glenn McCarthy, Inc. of Bolivia already was operating there prior to the new code. The Houston independent obtained a 35-year concession on some 970,000 acres in 1953; a tract on which both oil and gas discoveries have been made although all wells there are shut in at present.

From the perspective of tremendous gains evident during the past four years, and the signs of realizable potential measured in proven reserves, and from the interest shown by private capital, the oil industry may well be the key to Bolivia's economic future. This is not to say that the oil industry's continued development will follow as a matter of due course. There are two accounts yet to be balanced which will require skillful management on the part of YPFB, and forward thinking on the part of the Siles Zuazo administration, to prevent a crippling blow to the industry's financial structure.

ACCOUNTS TO BALANCE. There is first to be considered an ordering of accounts with the mining industry, a policy question for government. Oil's initial pump priming in 1952 was at the immediate expense of mining—\$36.3 million in precious foreign exchange. This represented a large portion of revenues from the mines and left little for re-investment in that industry. Of this amount, \$24 million represented new investment, which when added to the capital assets of YPFB at the beginning of the expansion program in 1952, brought the industry's capitalization up to \$47 million by mid-1956. Oil's spectacular response certainly justified the investment. But results achieved from this investment were made possible largely by the fact that much groundwork had already been laid. The additional investment in the main enabled exploitation of proven reserves. It was a matter of galvanizing and expanding operations, not starting from scratch.

At the same time, YPFB has assured an expanding future by the scope of its exploration program and continuing discoveries of additional reserves, which hint at the growth yet possible. There is, however, an understandable time lag between the discovery of oil and its commercial exploitation. All of which means that the rate of returns from future investments in Bolivian oil may not be immediately commensurate with the phenomenal returns hitherto chalked up.

MAKE HASTE SLOWLY. The important considerations at this stage of the industry's development are the amount and timing of new investment capital, as well as the source

of funds. In the long run, private foreign capital, which already is responding to the oil industry's potential, particularly in light of favorable terms and protections contained in the new Petroleum Code, should prove to be the most feasible source of investment capital. However, over-enthusiasm on the part of government regarding the industry's immediate growth, and impatience with the flow of private investment capital, may prompt continuing large allocations from the nation's foreign exchange credits. Over-capitalization could work to the industry's detriment. Even more serious, public funds needed to resuscitate the mining industry, or to stimulate other industries necessary to the nation's balanced agro-industrial development, could be siphoned off to the oil industry. This in turn could be harmful to the nation's economy.

Another major problem facing Bolivia's oil industry is a heavy burden of foreign debt heaped upon it by government for the construction of railroads in the country. A 1938 agreement with Brazil committed 8.5 million acres of Bolivia's most promising oil reserves to joint exploration and exploitation by the two countries in return for the construction of a \$30 million railroad from Santa Cruz to Corumbá, Brazil. The debt was renegotiated in 1952 to enable repayment in gold sterling or petroleum. Brazil itself apparently has little capital available for exploration of these reserves; and since unexploited oil is of little immediate value to either country, a new formula for settlement may yet be worked out.

Similar agreements were struck with Argentina. In 1942, and again in 1945, substantial sums of Argentine capital were borrowed for railroad construction to be repaid from oil production. Reserves in the area to be serviced by the railroad were put up as collateral. These debts were consolidated in 1955 at \$20,890,000, along with an additional loan of about \$18 million, the burden of payment falling to YPFB.

Nevertheless, the future appears definite and encouraging as spelled out not only by the present scope of operations but by the new discoveries being proven up in exploration. Verification of thick oil sands rich in high grade crude in the Camiri area point to a further expansion of operations there. Proven reserves in the Chaco hold similar promise. All told, it would seem that the YPFB's 200-million-barrel reserve goal is in sight, and with it, the necessary flow of private capital for development . . . and an oil-lit road from poverty to prosperity.

Over the Andean hump, a mounting flow





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INTERVIEW: HERNAN SILES ZUAZO



IS BOLIVIA ON ITS WAY TO ECONOMIC RECOVERY?

The trial balance sheet looks good, says President Hernán Siles Zuazo.

Biographic Note: Since assuming the presidency of Bolivia last August, Hernán Siles Zuazo has grappled with inflation—and numerous lesser problems—so tenaciously that even his opponents have conceded grudging admiration. According to a recent poll, the country was 95 percent behind Siles; people who oppose his party nevertheless claim to be silistas.

To attain such popular support, President Siles, a dark, mustachioed man with intense brown eyes behind horn-rimmed glasses, has appealed directly to the people in his straightforward, unadorned fashion. To push his inflation-containing program past political opposition (both within and without his party), he has persuaded, cajoled, even threatened. The results, to date, have been a still fragile victory over inflation and an uneasy truce with recalcitrant oppositionists.

Uneasy truces are nothing new in the comparatively short life of Hernán Siles (at 43 he is one of the youngest presidents in Bolivian history). As the son of Hernando Siles, also a Bolivian president and active political figure, he learned early in boyhood of the uncertainties of politics. He also learned about leadership. By the time he entered La Paz' American Institute, a Protestant-Evangelist school founded by Americans (motto: Mind, Body and Soul), he fell easily into leader's roles. He was president of his class, captain of the soccer team. The whim of international politics drew young Hernán, fresh out of high school and still in his teens, into a shooting conflict—the Chaco War.

For three years he was at the front in this fruitless and pointless struggle between Bolivia and Paraguay. He returned to La Paz in 1935 with two battle scars, two medals and ardent nationalistic feelings. He joined the "Busch group," an embryonic faction linked with Bolivia's rising nationalism of the mid-30's. Between agitating for the Busch policies, helping organize and heading the Bureau of General Statistics and being director of the Library of Congress, he attended classes at the Universidad de San Andrés. In 1939 he received his degree in law and political science. The following year he was elected to the Chamber of Deputies as a representative from his native La Paz.

Nationalism flowered into a full-fledged party—the Movimiento Nacionalista Revolucionario—in 1941. The principal organizers were Hernán Siles and Victor Paz Estenssoro, who was to become Bolivia's president 11 years later. Campaigning against tin barons, landowners and "decadent" traditional parties, the MNR won its way into government in 1943, with Siles reelected a deputy. Three years later the MNR was out again and the opposition in. Siles, as an MNR chieftain, was persecuted, imprisoned and exiled with monotonous insistence during the following years. Even in 1949, when he was elected to the Cham-

ber although exiled, he was not permitted to take his seat. Early in the session, while another deputy heaped abuse on the MNR and particularly on Siles, a bedraggled figure made a dramatic entrance and shouted, "Here stands the accused!" The Chamber flew into confusion—but Siles managed to deliver a brilliant speech before fleeing again for his safety.

Siles' flair for the dramatic has helped him navigate career-wrecking political shoals with notable success since becoming president. A self-imposed hunger strike recently won him the sympathy of the country and the conversion to his views of some obstinate party members. Later, when labor factions within his party endangered the stabilization program, Siles threatened an eleventh-hour resignation. The obstructionists soon backed down.

Despite his affiliation with a party regarded as extremist and even violence-prone, Siles is considered a champion of moderation and pacification. The party's motto after being overthrown in 1946 became "We will return, reconquer and revenge." Through Siles' influence it was changed to "We will return, reconquer and forgive."

He proved his words in 1952 when the MNR fought its way back to power. With the armed battle won, he admonished his fellows-in-arms: "No more blood shed. No retaliation, no vengeance." His plea was heard and La Paz was spared further deaths and a spiteful sacking.

As president and head of the MNR, Siles today is probably Bolivia's likeliest target for enemy bullets. Yet he disdains the traditional bodyguards and the noisy motorcycle escorts. He dislikes ostentation and the flowery oratory common to many Latin politicians. He has little use for the standard embellishments that go with his office. Daily President Siles commutes quietly between the somber Government Palace in town and suburban Calacoto, where he lives with his attractive wife, Teresa, and their three young daughters. Here, when there is a respite from the endless succession of official duties, the young man with the enormous problems finds time for an occasional game of tennis.

But these days most of the day's hours are devoted to the stabilization program on which hinges Bolivia's future. To *LATIN AMERICAN REPORT*'s questions about this program and its progress to date, President Hernán Siles Zuazo gives the following characteristically straightforward answers.

Q. Four months ago your government launched a sweeping economic recovery program keyed to currency stabilization measures. What positive results are evident so far? What additional progress do you anticipate in the immediate future?

A. Enough time has elapsed to attempt a preliminary evaluation of the currency stabilization policies launched by my government towards the end of last year. I will try to synthesize the pertinent events objectively. The country will be able to close its balance of payments this year without major deficits. For a long time Bolivia lived beyond its means. Consumption expanded abruptly due to two fundamental reasons.

First of all, enormous segments of the population became aware of the benefits of civilization and acquired rights which had been denied them for centuries. Secondly, the inflationary spiral which plagued the country increased the demand for consumer goods. All the while, production was unable to grow at the same pace. Various factors restrained this growth. One of the most important of these was the discouraging effect produced by an artificially low type of currency exchange which, in effect, constituted a sort of premium for imported goods. As a result the balance of payments had to support a disproportionate burden which resolved itself into a permanent imbalance.

Now we have leveled the country's consumption to our true goods' availability. Already positive signs are discernible on the economic panorama. Smuggling, which flourished on a grand scale as a result of the difference between domestic prices protected by artificial exchange rates and prices in neighboring countries, has virtually disappeared.

During the period of inflation, thousands of persons abandoned the fruitful pursuits they had followed traditionally. Instead they devoted themselves to the business of speculation nourished by distorted price controls. Many items were controlled by means of public decrees, but shortages, created by the smuggling and other circumstances, served to nullify these measures. It was easy to obtain enormous earnings by hiding foodstuffs and other essential goods to sell them later in a black market swollen to tremendous proportions. The hands which should have been contributing to our agricultural and industrial progress deserted the production lines to play the questionable role of go-betweens in a commerce of little constructive value. These hands are returning to their productive tasks now that prices, through stabilization, have found their level.

This year we will have a splendid harvest, thanks not only to good weather but to the return to the fields of thousands of men who only yesterday were congesting our cities. Increased agricultural production will make us less dependent on imports of foodstuffs which can be grown on the country's suitable lands.

The subsidies which the state paid to certain workers, such as the miners, have been eliminated. These subsidies caused the expenditure of inordinate amounts of money to support the mining enterprises. It is opportune to emphasize now that the stabilization has given salaries exact buying power. Previously, when the unions negotiated a wage hike, the daily rise in the cost of living robbed the workers of their illusory benefits. Today the workers know how much they earn and the government no longer must carry in its budget subsidies which were poor medicine for the ailments of inflation.

The country's mining industry, which was affected by the low rate of exchange at which it sold its dollars, has been reassuringly stimulated by the stabilization measures. One index of the stabilization's effect on mining activity is evident in the fact that several United States companies have proffered proposals to exploit sites previously unprofitable because of the low exchange rate.

Naturally everything is not rosy. The stabilization program entails sacrifices. We will have to live, as I said in a speech recently, "by the sweat of our brows" as the

Bible commands. But I have confidence that the sense of survival and progress of a nation, so evident in the people of Bolivia, along with certain resources which we anticipate, will help us bridge the problems created by all drastic changes of policy.

Q. Reportedly, prospects for increasing production of Bolivian oil appear very bright. Specifically, what can be anticipated at this time?

A. Oil constitutes one of our most genuine hopes. The country has valuable petroleum deposits which, forming a sort of belt, stretch along the slopes of the Andes from our border with Peru to the Chaco lands in the south. This wealth is no illusion. Reputable technicians assure us that the oil potential of Bolivia is tremendous. Our problem lies in amassing the capital necessary to exploit the pools which exist under our territory. We have realized, because we are realistic, that the country has not the capacity to take advantage of these resources. We lack sufficient funds and the technical know-how to undertake an exploitation as complicated as that of petroleum. For these reasons, the government of Dr. Victor Paz Estenssoro, my predecessor and partner in the leadership of the National Revolutionary Movement, admitted foreign capital for the exploitation of oil. We promulgated a code which permits explorations by private business in almost all of the national territory. This policy has been so fortunate that already two companies of world fame—Gulf Oil Company and Royal Dutch Shell—have obtained concessions over vast areas of the country and have already begun their operations. Other companies may also enter into a beneficial arrangement for the sharing of our petroleum possibilities.

On its side, the government will make efforts, governed by its financial capability, to develop the activities of the YPFB, the state petroleum entity. We believe that in our country private business can co-exist with state enterprises in a competition which is loyal and mutually beneficial both to national interests and those of the foreign investors. Our petroleum code in addition grants such investors fair treatment, seeking to divide benefits equitably between the nation, owner of the deposits, and the concession-holders, owners of the indispensable capital and know-how.

Q. What approach is your government taking to induce foreign capital investment in Bolivia?

A. Our policy regarding foreign capital is quite clear. We consider it an essential factor for our progress. The petroleum code is not an isolated case but rather an expression of a purpose. In the mining industry we are also ready to negotiate with foreign companies able to develop mineral deposits until now unexploited due to our lack of adequate funds. Bolivian industry and agriculture may equally be the object of foreign investments.

We do demand, however, that businessmen from abroad respect our sovereignty, obey our laws and leave to the country those benefits to which we are entitled. We believe that foreign capital should form somewhat of an association in the country which receives it. In exchange for those fair profits which it derives, a foreign business should pay adequate salaries to workers and contribute those taxes which fairness requires. Within these limitations, which have been recognized as valid by many investment firms, Bolivia anticipates that its natural resources will attract those who wish to invest and thus contribute to the well-being of its people.

Q. Finally, Mr. President, what single factor—if any—do you think is crucial to the successful accomplishment of your stabilization program?

A. As I mentioned before, the stabilization will not succeed completely as if by magic. Miracles do not hap-

pen in real life. We are confronted by problems which to resolve we need the help of those countries and institutions which have demonstrated their faith in our future. Politically, the stabilization program is gaining ground. The people back it. And above all, it has the backing of all the political and labor leaders of my party, the MNR. When the stabilization was decreed, we had the prior support of those organizations on which the government is based. However, some temporary difficulties have cropped up. One of these is the excess of manpower in some of the fundamental activities, such as agriculture and industry. Since it is neither logical nor human to release this personnel into unemployment, we need funds to implement plans to resettle excess labor.

This policy would permit industry and mining to lower its costs and thus contribute in the struggle of bringing down the cost of living. In this struggle we have already obtained encouraging results. The cost-of-living index, for example, has dropped since January of this year and we expect that tendency to continue. However, we lack the

funds necessary to launch the resettlement plan. The national budget cannot count on a surplus. On the contrary, we anticipate a slight deficit. Private industry has become undercapitalized due to the long inflation suffered by the country. We have no recourse other than international help from institutions of credit, such as the International Bank for Reconstruction and Development and the Export-Import Bank. We have already conceived this program of resettlement and economic development in its broadest terms. If we obtain the required financial backing, we would empower an institute of credit supervision to grant loans to those companies which wish to modify their operations and lower production costs. And a series of works and undertakings—roads, exportable agricultural production, farming tasks, etc.—would employ the surplus manpower while increasing its productivity and buying power. In short, the plan hopes to resolve those immediate problems by boosting production at all levels of the economy, which is the key to human progress.

Books IN REVIEW

Conversations With Casals.

By J. Ma. Corredor,
translated by André Mangeot,
Illustrated with photographs.
E. P. Dutton and Co., Inc., New York
1957. 240 pages. \$5.

Such is the unique position and stature of Pablo Casals both as a musician and as a man, that any book about him is apt to arouse considerable interest among laymen and musicians alike. Therefore a book dealing in intimate conversations and composed largely of Casals' own words will be greeted with especial gratification as a new and different source of information about one of the most interesting characters of this age.

Assuredly this is not a biography, although the chapter headings indicate a chronological progression through Casals' life. Rather it is exactly what the title states, a series of conversations in which the artist expounds his views and opinions on a broad range of topics and human problems, reminiscences, telling anecdotes from his rich experience, and interweaves them with the story of his long, varied past and vital present. To accomplish his ends, the author, a life-long friend of Casals, employs the informal interview in which various topics are suggested by

leading questions. Throughout its pages Casals shares those thoughts and attitudes which have made his the voice of conscience of a great part of humanity, and a symbol of courage and integrity in moral as well as musical matters. The authenticity and accuracy of the contents cannot be doubted since Casals himself gave his unqualified approval.

It is difficult to conceive more appropriate means than the author has chosen, and it is a tribute both to the author and to the translator that the informal, relaxed atmosphere in which the conversations took place is preserved with few traces of the awkward phrasing so common to translations. It is not a book that need be read page by page. Instead one may open it wherever it strikes his fancy, and, in fact, it may be that the book is best enjoyed in this fashion. Those concerned with music either as performers or as informed musical public will be especially interested in Casals' discussions of interpretation in the music of a great number of composers of yesterday and today, as well as his approach to the technique of stringed instruments in general and the violoncello in particular. To others the book will be a means of knowing the man, his motives, and his personality; for he reveals his in-

most thoughts and emotions on every page, particularly when he discusses his present and voluntary exile. There is no technical language to disturb the most musically uninitiated of readers.

No doubt every reader will encounter topics on which he wishes Casals had expounded more fully, yet it is difficult to see how the book could have been written without the limitations the author imposes. One's own interests and thoughts are stimulated by the positions Casals takes. He emerges from its pages as "the symbol of art devoid of all compromise," a man in whom there is an unbreakable union of art and morality. One lays aside this book with the conviction that he will open it again and again.

— Gwynn S. McPeek
Associate Professor of Music
Tulane University
New Orleans



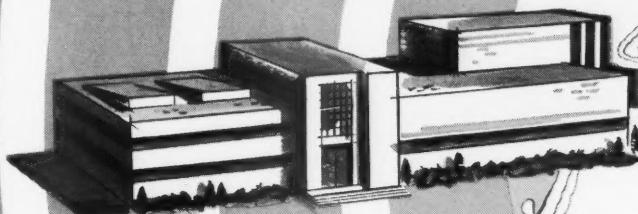
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